

E. VARGA

**TWENTIETH CENTURY
CAPITALISM**

FOREIGN LANGUAGES PUBLISHING HOUSE

Moscow

Е. ВАРГА
КАПИТАЛИЗМ ДВАДЦАТОГО ВЕКА

TRANSLATED FROM THE RUSSIAN BY GEORGE H. HANNA
DESIGNED BY S. DANILOV

CONTENTS

Preface	5
Chapter I. Capitalism at the Turn of the Century . .	7
Chapter II. Before the First World War	26
Chapter III. The First Stage of the General Crisis of Capitalism.	34
Chapter IV. The Second Stage of the General Crisis of Capitalism	47
Chapter V. Capitalism Today	82
1. The New World Situation	82
2. Important Economic Changes in Capitalist Society	107
3. Important Social Changes in Capitalist Society . .	127
Chapter VI. The New (Third) Stage of the General Crisis of Capitalism	140

PREFACE

This little book is not a history of capitalism—nothing of the sort could possibly be attempted in such small compass. It is an essay on the most important changes that have taken place in capitalism during the first sixty years of the twentieth century; these are changes that have not affected the foundations of capitalism, which have remained what they were despite all the talk of capitalist apologists, Right Social-Democrats and present-day revisionists of Marxism who claim that there now exists some new form of capitalism differing radically from that of the nineteenth century. The basic laws of capitalism have not changed at all—the proletariat in the capitalist countries still has to sell its labour power in order to exist; the bourgeoisie still hire workers for the purpose of appropriating the surplus value they create; the motive force is still profit, for without profit there can be no capitalist production; the bourgeoisie is still the ruling class. Those changes that have taken place in capitalism as a result of its transition to the last stage of development—imperialism—have only served to increase and sharpen the contradictions inherent in the capitalist system.

The functioning of the economic laws of capitalism under the new historical conditions, shows that the system has outlived itself and must make way for a new and more progressive system of society. No matter how much capitalism today may differ from that of the beginning of the century, it is fundamentally still the same capitalism with all those basic contradictions that are insoluble within the framework of the system.

On the other hand, Marx's doctrine that capitalism is a historically transient social system, that its internal laws inevitably lead to its death and create the revolutionary forces for its replacement by socialism, is no longer the scientific forecast of a genius that it was a hundred years ago; today it has become reality for there exists a flourishing and developing socialist world side by side with moribund capitalism. This circumstance has great effect on the economy, domestic and foreign policy and ideology of capitalism and emphasises to a still greater degree the debility of the dying capital-

ist system and the necessity to replace it by a society of a higher order—communism.

Imperialism today does not, as it formerly did, determine the course of the historical development of society. The situation has changed radically. Today the main content, the main direction and the main features of the development of society are determined by the economic competition and the ideological struggle between the two world systems—the growing socialist and decaying capitalist systems—and by the forces that are struggling against imperialism for the independent economic and political development of their countries.

* * *

The starting point for our analysis of capitalism and the basis taken for comparison is the year 1900; it is not, however, a dividing line in either the economic or political sense and is not distinguished by any specific features that would mark it off from the preceding or succeeding years.

The statistics quoted in the book are intended to serve only as illustrations; for the convenience of the reader, therefore, we have given them in round figures—in any case, they were not very accurate originally.¹ All figures quoted are taken from official publications for the years concerned. Later official data often differ from those published earlier. These slight deviations, however, are not important, and the figures will serve our purpose. As a rule we do not give references for data taken from generally known sources in order not to overload the book with footnotes and make it tiresome to read.

¹ In this we follow the long established practice adopted in the natural sciences—not to make calculations with a degree of accuracy greater than the margin of error in the measuring instrument used to establish the initial data.

CHAPTER I

CAPITALISM AT THE TURN OF THE CENTURY

At the beginning of the twentieth century we knew less about the world than we do today and people thought it was much bigger than it is. A considerable area—all the central parts of Africa and South America, Western China, the Arctic and Antarctic—were little known or completely unknown. The population of the world was half what it is today. The world seemed bigger because news of life and events in different parts spread slowly, and because a long time was needed for any journey. Today a journey from Moscow to New York takes ten hours, then it took twelve days or more. Lieutenant-Colonel Serebrennikov of the tsar's army, who was sent to Bombay on duty, left Tashkent on November 6, 1901, joined a British steamer at Brindisi and arrived in Bombay on December 8, after a journey of thirty-three days. The same distance can now be covered in one day by air. Travel difficulties had a great influence on foreign policy methods—the personal meetings of the heads or ministers of states were very rare and occurred only once in the course of many years. Diplomatic activity was much slower.

Life was simpler in those days. Many things now in daily use such as wireless and TV sets, refrigerators, buses, aeroplanes, etc., either did not exist at all or were great rarities. The vast majority of the world's population were born, lived and died in one place.

Capitalism had reached the stage of imperialism and was triumphant throughout the world. By this we mean that the giant monopolies—the cartels, syndicates and trusts—had gathered into their hands the biggest and best industrial enterprises, railways, etc., which gave them exceptional advantages in the production of manufactured goods. They held an exceptional position on the home market and at times they could even control it. The monopolies of the different countries engaged in a fierce struggle for the acquisition of foreign markets and for spheres of influence and investment. By the beginning of the twentieth century they had factually divided up the world into economic empires.

The productive forces of capitalism, however, were at a much lower level of development than at present. The majority of the world's population possessed a low degree of production skill and were illiterate. Infectious diseases and a very high infant mortality made for a low expectation of life.

The basic employment of the people was agriculture. Even in the highly developed capitalist countries (with the exception of Great Britain) as many or more people were engaged in farming as in industry. In Germany in 1895, for instance, there was an equal number of people engaged in farming and industry, 8,300,000 people in each case; in addition to this, however, there were 1,400,000 people engaged in agricultural pursuits for whom farming was not their main occupation. In the U.S.A. in 1900, 9,600,000 people were engaged in agriculture and 7,600,000 in the extractive and manufacturing industries. In tsarist Russia the overwhelming majority of the population engaged in agricultural pursuits.

The land in many countries was still tilled mainly with the wooden plough, the harvest was reaped with scythes and sickles and the threshing was done by hand, or with the aid of draught animals. At the beginning of the twentieth century the steel plough was widely used only

in Western Europe and the U.S.A. Even in the U.S.A., the pioneer in the use of farm machinery, the total value of all farm property in 1900 amounted to 20,400 million dollars, of which only 750,000 dollars was accounted for by machinery and implements. Tractors, harvester combines and motor lorries were not yet in use.

Industry was at a much lower level of technical development than at present. Fundamentally the factories were the same as those described by Marx in *Capital*—steam boilers, transmission belts driving the machines. Electricity had just begun to penetrate into industry and almost all the current produced was used for lighting. At the end of 1899 the sources of energy employed in U.S. industry were (million h.p.):¹

Steam engines	Internal combustion engines	Water power	Electric motors	Total mechanical power
8.19	0.13	1.45	0.50	10.2

A total of 2.1 h.p. and less than \$2,000 capital were employed per worker engaged in industry. (Apparently the figures were still lower in other countries.) The machines, of course, were an improvement on those in use in the second half of the nineteenth century, but the so-called "scientific management of industry" and production line methods had still not been introduced.

To every hundred workers engaged in U.S. industry there were only six non-productive workers. Although by that time the monopolies had gained a dominant position

¹ *Technological Trends and National Policy*. Report of the Subcommittee on Technology to the National Resources Committee, Washington, 1937, p. 251.

We cite mainly U.S. data because only in that country have industrial censuses been regularly conducted.

in industry, many capitalists still ran their own enterprises in person.

The steam locomotive and horses were the chief means of transport by land. Energy employed by the U.S. railways was three times greater than that used in industry. Practically speaking, the U.S.A. was the only country in which motor vehicles were used—in 1900 there were 8,000 of them. In England a law existed up to 1906 according to which a man carrying a red flag had to walk in front of motors for the protection of pedestrians. The seas were traversed by almost as many sailing vessels as steamships, but the tonnage of the steamers and their cargo turnover were considerably greater.

Still more primitive in comparison with our times was war matériel; in principle it was little different from that of the Napoleonic wars—the same infantry armed with rifles (the Maxim gun had been invented but it was not very widespread), the same cavalry and horse-drawn artillery. It is true that the guns and rifles were an improvement on those formerly used, but no new types of weapon were employed. Smokeless powder and the field telephone were the novelties of the day. There was no motor transport, no tanks or aircraft on the strength of any army. As late as 1910 the British Secretary of State for War could argue in Parliament: "We do not consider that aeroplanes will be of any possible use for war purposes."¹

The Germans began building Zeppelin airships, lighter-than-air vessels that did not prove very effective. Only navies were at a much higher level than they had been a hundred years before. Submarines, however, were still not in use.

The volume of world industrial output at the beginning of the century was half that of 1925 and one-sixth that of 1957.

¹ J. Jewkes, D. Sawers, R. Stillerman, *The Sources of Invention*, London, 1958, p. 231.

INDUSTRIAL PRODUCTION INDEX FOR THE CAPITALIST WORLD
(1901-1913 = 100)¹

	1860	1870	1880	1890	1900
Index	17	23	31	52	73
Growth per decade (%)	—	35	35	68	40

These figures are not very precise but are good enough to characterise industrial development. The rapid growth of industry took place partly by involving peasant economy in the capitalist market, the wholesale destruction of home handicrafts and their replacement by factory production, and partly as a result of the extension of the world capitalist market due to the conversion of many territories into colonies.

World steel output in 1901 amounted to 31 million tons, i.e., about 15 kg per head of population. In the leading imperialist countries the output was about 150 kg per head of population but in India, China and similar countries it amounted to practically nothing. The extraction of coal was about half of today's amount—769 million tons. Very little oil was extracted—20 million tons. In those days the total world output of oil for one year was about the amount produced in the U.S.S.R. in six weeks today.

Industry then, as in the capitalist world today, was concentrated to 80% in Western Europe and the U.S.A. This is particularly true of the production of capital goods. Even in those countries, however, industry did not play the dominant role it plays today. The total national wealth of the U.S.A. was estimated at 88,500 million dollars in 1900; of this 46,325 million was for land and buildings,

¹ Calculated on the basis of Wagenfür's index of world industrial output—*Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 31, Berlin, 1933—and U.N. statistics.

9,000 million for railways, 6,900 million for articles of personal use (clothing, furniture, etc.) and only 2,500 million for manufacturing machinery.¹

Labour productivity was much lower than at present. (The figures available are not sufficient to make an accurate comparison.) Despite the low productivity of labour, harvests in Western Europe were high. In 1900 the average yield of wheat in Germany was 18.7 centners per hectare (about 28 bushels per acre); in Belgium, Holland, Denmark and Britain it was still higher, but in the U.S.A. and Southern Europe the yield was less than 10 centners to the hectare (about 15 bushels to the acre).

The turnover volume of the capitalist market relative to the volume of output was lower than at present, because a smaller part of farm produce reached the market and the peasants, especially in the less developed capitalist countries, still produced many consumer goods (bread, clothes, footwear, etc.) themselves.

The volume of foreign trade was incomparably lower than today's. In 1900 total U.S. exports amounted to 1,371 million dollars and imports to 850 million dollars. The total foreign trade turnover for the year was less than the monthly average today. It must be remembered, however, that the purchasing power of the dollar was three or four times greater than it is today.

The general direction of foreign trade was the same then as it is now. The West-European industrial countries supplied manufactured goods to the under-developed countries and bought raw materials and foodstuffs from them. Great Britain was the leading country. Britain's foreign trade was double that of the U.S.A. and half as much again as Germany's. Britain, as the biggest exporter of capital and exploiter of colonies, had an adverse trade balance. German and, partially, Japanese export had begun to

¹ *Historical Statistics of the United States, 1789-1945.* Washington, 1949, p. 10.

squeeze out British. In 1900 more steel was produced in Germany than in Britain. In order to stress the lower quality of German goods, Britain forced German manufacturers to mark their articles: Made in Germany.

U.S. foreign trade at that time still bore traces of its colonial character; despite the considerable export of machinery (55 million dollars in 1900), the U.S.A. exported mainly foodstuffs and raw materials.

U.S. EXPORT IN 1900
(million dollars)

Raw materials	340	Semi-manufactured goods .	152
Foodstuffs		Manufactured goods	332
as raw materials . . .	226		
manufactured	320		
Total 586		Total 484	

U.S. exports greatly exceeded its imports and these were used to pay dividends and interests on foreign capital invested in the U.S.A. Three quarters of U.S. export went to Western Europe. Tsarist Russia's foreign trade was still more colonial in structure.

At that time commodities, capital and workers moved unrestrictedly from one country to another on the world market. Import and export were not hampered by restrictions, quotas and contingents. Import duties were levied but the conditions of competition were the same for the capital of all countries. Trade agreements, which at that time were usually concluded for ten years, ordinarily contained a "most favoured nation" clause. This meant that the privileges under such an agreement, when extended to a third country, automatically applied to all other countries having trade agreements with the given country. The colonies were the exception. The metropolitan countries employed various methods to ensure themselves an advantageous position on the markets of their own colonies. In 1900 one-third of Britain's exports and one half of France's went to their colonies.

Currency was stable in almost all countries; banknotes had a sound gold backing. Gold was not only the world medium of exchange; a considerable number of gold coins was in circulation side by side with paper money. In the U.S.A. in 1900, for instance, gold coins to the value of 611 million dollars were in circulation while the total number of banknotes and paper money of all kinds amounted to 1,227 million. In Germany the value of the minted gold coins in circulation was twice that of the banknotes in circulation.¹ No currency restrictions of any kind existed. Any capitalist could freely transfer his capital to any country, acquire real estate there and open his enterprise. People were able to travel freely from one country to another, identification papers being required only in Russia and the Balkan countries.

The monopolies had not yet been able to keep prices at a stable high level as they do at present. Hilferding in *Das Finanz Kapital* quotes the following prices for Bessemer iron in Pittsburg (dollars per ton):

1887	1897	1902	1904
24.4	10.1	20.7	13.8

But, as Lenin showed in his *Imperialism, the Highest Stage of Capitalism*, decay and parasitism had already set in, and were making themselves rather strongly felt, especially in Britain and France. In Britain, in 1900-1901, of the £594,000,000 subject to income tax, £60,000,000 were income from foreign investments. In France, in 1901, more than a third of the budget revenue went to pay interest on the national debt.

The role of the state in the economy of the capitalist countries, however, was incomparably less than it is today.

¹ It is, of course, not known how many minted gold coins were hoarded or transferred abroad. The extraction of gold as compared with overall industrial production and foreign trade, was proportionately greater than today.

Apart from arsenals, and, in some countries, forests and railways, the state did not own any other property connected with production. The state interfered in the economy only to the extent of levying taxes and issuing paper money. It did nothing to regulate either production or prices. Its main function was the maintenance of "law and order" in the interests of the exploiters. In those years the state levied fewer taxes than it does today. In 1900 the revenues of states were (million dollars):

U.S.A.	Germany	Britain	France
600	550	700	760

It must be borne in mind, however, that the purchasing power of the national currencies was about three times what it is today and the national incomes were much lower.

In the main, the economy of capitalism after its emergence from the agrarian crisis of the nineteenth century, seemed stable and reliable to most contemporaries.

The dominant class determining the policy of the imperialist countries, was the *monopoly bourgeoisie*. Remnants of feudalism, however, were still strong. With the exception of France, the U.S.A. and a few other countries, states were headed by emperors or kings, and in very many cases they were far from being mere exterior decoration. In Germany, Austria-Hungary and Russia emperors could depose prime ministers and other ministers, could issue decrees against the wishes of parliament or dissolve parliament. The administration, the army and the diplomatic service were headed exclusively by aristocrats. There was a real sensation in 1906 when the German Emperor Wilhelm II appointed the capitalist Dernburg and not an aristocrat to the post of Minister for the Colonies. Parliaments had legislative power in Britain, France and the U.S.A., but not in Germany and Austria-Hungary, to say nothing of Russia. Members of parliament were land-owning aristocrats, representatives of the bourgeoisie,

lawyers, and occasional representatives of the industrial workers.¹

The number of enfranchised people was very small. Women did not have the right to vote in any country. In many countries there were restrictions for male voters—the age qualification (21-24 years), domicile (in order to vote a citizen had to have lived in a certain place for several years), property qualifications, literacy qualification, etc. In the classic land of bourgeois democracy, Great Britain, about 6,000,000 men had the right to vote in 1900. The broadest franchise was exercised in Germany where parliament had little influence; in the 1903 elections, 12,500,000 men had the right to vote but only 9,500,000 exercised their right. In 1909 in France, 11,500,000 men were enfranchised, and in Italy 2,600,000 men, or 7% of the population had the right to vote in 1900. In Japan only 2% of the population was enfranchised. In the U.S.A., in those days as now, Negroes formally had the right to vote, but their participation in the elections was greatly restricted.

By the beginning of the twentieth century the world had been divided between the imperialist countries. This division took place without any attention being paid to economic relations, nationality, the history and culture of the peoples that inhabited the partitioned territories. Africa is particularly instructive in this respect. The colonialists destroyed the states and cultures of the African peoples and then declared them to be savages. Archaeological excavations, however, show that the African peoples had their own cultures; the cultures of India and China are much older than the civilisation of the colonialists.

The development of the West-European economy was

¹ In the German Reichstag in 1900 there were among the deputies: 115 landed proprietors (of these 15 barons, 20 counts and 6 dukes or princes), 21 factory owners, 22 members of the clergy, etc. Landed proprietors and capitalists dominated in the British parliament. Of the 439 deputies to the Fourth State Duma of tsarist Russia, 354 represented the land-owning nobility, the urban and rural bourgeoisie and the merchants.

closely bound up with the privation and suffering of millions of peoples in the colonies. Investments in the colonies brought in profits two or three times higher than those obtainable in the metropolis.

In those parts of the world where the climate was suitable for settlement by Europeans—North America, Australia, North, East and South Africa—European colonists wiped out the native population with the aid of arms and alcohol, took away the most fertile land and drove the local inhabitants into "reservations". In order not to starve the local people were forced to work for next to nothing in the mines or on the plantations of the colonialists. Although slavery was formally prohibited, in practice its existence continued widespread in various forms in Africa, Asia and the southern states of the U.S.A. An army of missionaries who energetically spread Christianity among the native peoples, impressed on them the necessity to suffer exploitation without a murmur. This is how one African peasant aptly described the "activities" of the missionaries in Africa: when they came to us the missionaries had the ten commandments and we had the land; now they have the land and we have the ten commandments. The colonialists were often able to build up armed units from among the local population that were used to suppress other peoples—for instance the Hausa regiments, the Senegalese troops.

The distribution of the colonies as it existed at the beginning of the twentieth century was the result of a long period of historical development and did not correspond to the balance of forces among the metropolitan countries as it obtained at the time. Britain ruled over almost half the total colonial territories. France, too, had a huge colonial empire. Even a tiny country like Holland had extensive colonial possessions. Germany and the United States, who were then overtaking Britain, not to mention other countries, in the economic field, had practically no colonial possessions.

In 1898 the U.S.A. launched the Spanish-American War, the first imperialist war for the redivision of an already partitioned world. The outcome of the war was that the U.S.A. acquired the former Spanish colonies of Puerto Rico, the Philippines, the Hawaiian group of islands, the island of Guam and East Samoa. Although Cuba was officially recognised an independent state, the country was actually an American dependency.

Germany, like the U.S.A., strove by every possible means to acquire a colonial empire. The German imperialist bourgeoisie defined their aims very clearly at the Colonial Congress held in 1902. "The Colonial Congress thinks that, in the interests of the fatherland, it is necessary to render it independent of the foreigner for the importation of raw materials and to create markets as safe as possible for manufactured German goods. The German colonies of the future must play this double role, even if the natives are forced to labour on public works and agricultural pursuits."¹ The German imperialists, with their usual crude outspokenness, were proclaiming aloud that which the hypocritical colonialists of other countries had kept hidden by their prevarications about its being "the sacred mission of the white man to carry civilisation to the natives", its being the "duty of the white race to mankind", etc.

Britain's rule of the seas, however, prevented the German imperialists who were thirsting for colonies from realising their dreams; Germany was able to seize only those African territories (mainly arid lands) that Britain and France did not regard as being worthy of their notice.

The irregular economic and political development of capitalism engendered a world war for the redistribution of the colonies. Preparations for the war were already under way. Germany and France had built up huge armies—

Germany had 604,000 men and France 570,000 men under arms. The cult of the army, especially of the officer caste, was created and official policy showered army officers with honours. Any man who did not have the rank of at least a lieutenant of the reserve, found himself ostracised by "society" in Germany and Austria-Hungary. In Britain the navy was surrounded by a special halo. Britain's supremacy at sea was absolute—her navy was stronger than those of any two powers combined. Relying on this naval strength Britain pursued her policy of "splendid isolation"—she did not conclude any official alliances but interfered in the affairs of every other country in the world.

In those days, in contradistinction to our own times, wars of aggression were openly lauded. Such catchwords as "Drang nach Osten" in Germany and "gloire" in France, etc., were popularised to the fullest extent. Expenditure on the armed forces was high even in those years, although the sums involved seem insignificant when compared with today's. In 1900 the U.S.A. spent 209,000,000 dollars for war purposes and Germany 620,000,000 marks. Weapons were cheaper in those days and soldiers were paid very low wages. The present century was ushered in by the attack of Britain, France, Germany, tsarist Russia and other imperialist powers on China, the war for the redivision of colonies between the U.S.A. and Spain and the Boer War in South Africa.

The gulf between the rich and the poor was very wide. In the richest country of the time, Great Britain, there were, in 1900 (according to the Mulhall statistics), 158,000 rich families owning property valued at £ 6,361 million, and 6,000,000 poor families whose total property amounted to £ 680 million. In that same year, 1,000,000 people out of a population of 41,000,000 were officially registered as paupers. In the U.S.A. in 1900, out of 29,000,000 employed persons 4,900,000 were children between the ages of ten and fifteen. (In tsarist Russia poverty was still greater.) In the imperialist countries, especially in Britain, there was, how-

¹ J. Hampden Jackson, *The Post-War World: A Short Political History, 1918-1931*. 4th edition, London, 1938, p. 358.

ever, a very substantial stratum of working-class aristocracy which the bourgeoisie were able to form, using profits obtained from the colonies. The absence of colonies did not prevent the emergence of a working-class aristocracy in America. U.S. capital found conditions within its own territory that allowed of the extraction of super-profits no smaller than those obtained from the colonies—they were: an abundance of fertile land, rich mineral resources and the cheap labour power of the immigrants.

The emergence of the working-class aristocracy lay behind the development of reformism and opportunism in the working-class movement.

By that time the population of the imperialist countries was already fifty per cent proletarian. In Germany (1907) of the 26,200,000 persons gainfully employed 14,300,000 were factory workers and 1,600,000 office and professional workers.

In France (1906), 10,200,000 of the 20,700,000 persons gainfully employed were factory, office and professional workers.

Labour conditions were bad. Although the working-class movement had as its immediate aim the establishment of the eight-hour working day (the 1889 Congress of the Second International passed a resolution on a May Day demonstration to achieve this), the working week in the capitalist countries was sixty hours and more. Workers were employed for twelve hours a day in the iron and steel industry. In Russia in 1897 the working day was limited by law to eleven and a half hours. But the Russian capitalists used methods similar to those employed in England at an earlier date (see *Capital*, Vol. 1) to evade the law. "... The requirement of the law that the employers ... shall not make them (the workers—Tr.) work more than eleven and a half hours a day is not supported by any penalties for its infringement. What will be done to an employer who is guilty of infringing this law? At the most he may be hauled before the magistrate, who cannot levy

a fine exceeding 50 rubles.... But will a fine of 50 rubles deter an employer?... It will actually benefit the factory owner to break the law and pay a fine," wrote Lenin in a pamphlet published in 1899.¹ Employers made the workers stay to clean the machines after working hours on Saturdays; they made them start a shift at four o'clock in the morning so that they had to get up at three o'clock; they did not give their workers a mealtime break. In the clothing trade in the U.S.A. "before 1910, the work week was in most shops officially set at 56 to 60 hours.... In many of the 'outside' shops 84 hours was the rule.... In point of fact, working hours during the 'rush' seasons were indefinite. It was not uncommon to work 15 or 16 hours a day, beginning as early as 5 a.m., and workers frequently were even required to take bundles home with them when they left at nine or ten o'clock at night. Old workers in the trade will tell you how they often slept in the shops in order to save time and carfare."²

The position of farm labourers was still worse. The Junker landowners in Prussia, on the basis of their "master and servant act" (*Gesindeordnung*) possessed both administrative and juridical power over the labourers living on their estates. The labourer did not have the right to leave the territory of the estate or entertain guests in his home without the permission of the landlord. The Junker landlord could himself pass judgement on his labourers, fine them, evict them from their homes, and, as a representative of state power, could incarcerate them in his own private prison, etc.

The condition of the working class in tsarist Russia was particularly bad. The average annual earnings of a factory worker in 1901 (according to the reports of factory inspectors) amounted to 201 rubles. I. A. Volkov, who worked at

¹ V. I. Lenin, *Collected Works*, Vol. 2, Moscow, p. 297.

² Jack Hardy, *The Clothing Workers. A Study of the Conditions and Struggles in the Needle Trades*, New York, 1935, p. 173.

Gandurin's mill in Ivanovo-Voznesensk, wrote in his *Calico Kingdom*, published in 1926: "I still have the rates for the workers at Gandurin Bros. mill in 1890-1900. Here they are:

Unskilled worker, male	7.5-8 rubles
Unskilled worker, female	6.5-7 rubles
Unskilled worker, juvenile	6-6.5 rubles
Skilled worker (who has worked at the mill 3-4 years and has learned some trade)	10-12 rubles
Highly skilled worker	12-15 rubles"

Volkov wrote the following about the Russian cotton mills: "The overcrowding, damp, dirt, polluted air and sudden changes of temperature here were unbelievable. . . . The space left between the numerous machines was so small that the worker had literally to squeeze between them sideways, risking at any moment to fall into the steel claws of the machine or push a fellow-worker into them. . . . It was no rare thing to find among the workers one whose fingers had been bitten off by a machine or whose leg had been broken or crushed. . . ."

The factory owners gained additional profits from the workers by paying them wages in kind instead of in cash. In 1901, Moscow workers received 8.9% of their wages in goods from the factory shop; 7.3% of the wages went for goods obtained from co-operatives and 2.4% was deducted for meals.¹

In 1899 Lenin wrote: "If we take, for instance, those occupations in which the workers have not yet been able to win the protection of the law and in which they cannot offer resistance to the capitalists, we see an inordinately long working day, sometimes as long as 17-19 hours; we see children of 5 and 6 years of age overstraining themselves at work; we see a generation of permanently hungry workers who are gradually dying from starvation."²

¹ V. I. Lenin, *Collected Works*, Vol. 19, "The Language of Figures".

² V. I. Lenin, *Collected Works*, Vol. 4, Moscow, p. 312.

The factories were not heated, they were badly lit and had no ventilation. As late as 1914 an American bourgeois writer, George M. Price, said in his treatise *The Modern Factory. Safety, Sanitation and Welfare*: "The factories of the past, and too many at the present time, have no claim whatever to any beauty in their surroundings. Many of them look like penitentiaries, prisons and barracks, huge, sombre, dark and forbidding, darkening the surroundings with a pall of black smoke."

There is no need to speak here of the terrible condition of workers in the colonies.

Trade union organisations were (with the exception of Britain) still not widespread. In their relations with the employers the workers were strong in those branches in which there was a large number of small establishments—printing, building, woodworking. The workers in these trades sometimes succeeded in concluding agreements that covered all enterprises in that branch throughout the country. In heavy industry, however, the workers were very weak; the big capitalists, as a rule, acted on the principle of "I am master in my own house", did not recognise trade unions, did not conclude wage agreements with them and dictated their terms to the workers without the conclusion of written agreements.

By that time the rate of surplus value was more than the hundred per cent that Marx took as the probable figure in his *Capital*. In the U.S.A. in 1899 it was 128 per cent, and in 1909 it was 130 per cent; the figures for Russia were: 1900—113 per cent, 1908—161 per cent.¹ This estimate is not, of course, precise. The actual rates of surplus value were higher, because goods produced were passed on to merchant capital at a price below production cost, to enable the latter to realise the average rate of profit.

¹ We have computed this for the U.S.A. on the basis of official statistics; for Russia they are based on *Statistical Annual for 1912*, St. Petersburg, 1912, p. 201.

Strikes were numerous in those years and unorganised workers took part in them. In 1900 the number of striking and locked-out workers was (thousands):

U.S.A.	Britain	France	Germany
568	135	223	132

There were Social-Democratic parties in the majority of the developed capitalist countries. They differed, however, from those of today; in their programmes and in the solemn speeches of their leaders the proletarian revolution and socialism were the proclaimed goal of the working-class movement. In practice, however, the entire activity of these parties amounted to an effort to effect separate reforms within the framework of capitalist society. Their leaders gave no thought to concrete questions of the working class gaining power, did not raise the question of the proletariat's allies in the struggle against the bourgeoisie; the peasantry as a whole was regarded as the supplier of foodstuffs whose interests were contraposed to those of the proletariat. Revisionism, relying on the working-class aristocracy and the trade-union bosses, had already taken firm root.¹ The premises for the collapse of the Second International already existed.

Part of the revolutionary workers realising that their reformist leaders were not trustworthy, sought a way out in syndicalism and anarchism.

Lenin alone, basing himself on the Marxist doctrine, elaborated a comprehensive theory of the proletarian revolution in the epoch of imperialism—the revolutionary party as the vanguard closely bound up with the proletarian

¹ As early as 1899, De Leon, a Left-Wing leader of the U.S. working-class movement, said that "the trade union leaders were all corrupt, bought by the bosses, and the most corrupt of them all was... Samuel Gompers, the most unscrupulous and most influential enemy of socialism in the camp of organised labour." (Quoted from M. Beer, *Fifty Years of International Socialism*, London, 1935, p. 111.

masses; the peasantry as the ally of the proletariat with the latter maintaining the hegemony; the employment of the contradictions among the bourgeoisie to muster all revolutionary and progressive forces around the proletariat.

The capitalist system seemed stable and immutable to the bourgeoisie and to the reformists and revisionists at the beginning of the twentieth century. The germs of the general crisis of capitalism, however, already existed. The laws inherent in capitalism led to the greater polarisation of society, with a handful of rich capitalists at one pole and the tremendous army of the working people, headed by the proletariat, at the other; they led to the relative, and sometimes to the absolute, impoverishment of the proletariat which still further reduced the number of those interested in the existence of capitalism and increased the number of its enemies. The uneven economic and political development of countries under the conditions of the undivided rule of imperialism determined the inevitability of imperialist wars for the redivision of the world. The entire course of development led inevitably to the general crisis of capitalism.

CHAPTER II BEFORE THE FIRST WORLD WAR

The pre-war years were a period of great scientific, technical and economic progress in the development of capitalism. Planck's quantum theory, and Einstein's theory of relativity created the basis for modern atomic physics. Electric motors and internal combustion engines became widely used. The extraction of oil increased from 20 million tons in 1900 to 51 million tons in 1913. The output of motor vehicles increased from a few thousand to 485,000 a year. The system known as the scientific management of industry began to spread; in 1912 Henry Ford introduced the first production line. New forms of transport made the movement of people and commodities more rapid.

The highest rates of growth in world capitalist production in the twentieth century were achieved in this period. The index of industrial output (1901-1913=100) rose from 72 in 1900 to 121 in 1913, i.e., an average annual increase of 5 per cent. The world output of wheat increased from 74,000,000 tons per annum in the 1896-1900 period to 106,000,000 tons in 1913. The average yield per hectare in the years 1911-1913 rose to: Belgium, 26 centners, Holland, 25 centners, Germany, 24 centners and Britain, 21 centners (38.6, 37.1, 35.6 and 31.2 respectively bushels per acre). The total length of railways increased from 1900 to 1914 by more than 300,000 km; there has never been such a rapid growth, either before or since. The Panama Canal was opened to navigation in 1914. The world trade of

thirty-three developed capitalist countries increased from 18,800 million gold dollars (total turnover) to 36,100 million in 1913, i.e., it almost doubled.

In this period Lenin wrote: "Capitalism as a whole is developing more rapidly than ever before. . . ."¹

It was a period of rising prices, stable currency and very high profits for the capitalists. Development, however, was very uneven in the capitalist countries as a whole. In a number of important items, the U.S.A. and Germany had outstripped Great Britain by 1912.²

	Britain	Germany	U.S.A.
Raw cotton consumption (million bales)	3.8	4.6	5.8
Coal extraction (million tons)	265	175 (+81 brown)	450 (in 1914)
Iron (million tons)	9	18	30

The immigration of over 10 million people, mostly young and energetic, from Europe, was a great help to the United States. The percentage of foreign-born workers in major industries in 1914 were: iron and steel—58%; soft coal—62%; textiles—62%; clothing—69%, etc.³

The struggle between the imperialist powers for markets and colonies became more acute. Although the population of the British colonies was numerically three times greater than the population of the colonies of all the other imperialist powers combined, and although Britain held important positions in the semi-colonies—China, Persia, the Argentine, etc., British imperialism still strove to extend its colonial possessions. The paramount significance of the

¹ V. I. Lenin, *Imperialism the Highest Stage of Capitalism*, p. 215.
² *Statistisches Jahrbuch für das Deutsche Reich*, 1914. Internationale Übersichten.

³ W. Foster, *Outline Political History of the Americas*, New York, 1951, p. 230.

outside world to Great Britain may be seen from the fact that in 1912 exports accounted for 40% of the output of British industry, new investments at home in 1912 amounted to £45,000,000, and total foreign investments amounted to £145,000,000; in 1913 the figures were £36,000,000 and £150,000,000 respectively.¹ These foreign investments had great significance for the British bourgeoisie. In 1909 British capital invested amounted to:

At home	£18,681,000
Abroad	£150,468,000

Since the income from foreign investments was double or more that of home investments it can be seen that about a third of the British bourgeoisie's total income came from foreign investments. Using her supremacy at sea and her naval bases—Gibraltar, Malta, Suez, Aden—Britain dominated the Mediterranean and the Indian Ocean. Nevertheless, under the threat of the growing German competition and expansion, Britain abandoned her traditional policy of "splendid isolation" and concluded an alliance with Japan (1902); she reached an agreement with France on the partition of a number of territories in Africa (1904) and with tsarist Russia on the division of spheres of influence in Persia (1907). Britain prepared for a major war against the German imperialism that menaced her.

The German bourgeoisie thirsted after colonies. They founded, with a flourish of trumpets, their "Naval Society" and printed maps with all territories in which Germans were living included in the German Empire. (In this respect they provided an example that was later followed by Hitler.) The Right Social-Democrats helped the German bourgeoisie. The military and the Kaiser met the bourgeoisie half way. Almost every year a foreign policy "incident" (the Agadir incident and others) was staged. Britain's

¹ W. Sombart, *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus*, Munich, 1928, Bd. 1, S. 492.

naval supremacy, however, greatly restricted German activities. For this reason German imperialism tried to make use of its supremacy in land forces to extend the sphere of its domination, especially in the East. Germany's policy brought about a rapprochement between tsarist Russia, greatly weakened by the war with Japan and the revolution of 1905, Britain and France.

German imperialism, however, was not satisfied with military supremacy on land; the speedy construction of the German navy began. In 1914 Germany had 133 naval vessels of which 37 were battleships. The strength of the navy was 80,000 officers and men and the annual expenditure on the navy 200,000,000 marks.¹ This frantic building of warships, demonstratively approved by Kaiser Wilhelm II, threatened to undermine British supremacy on the high seas, and was, therefore, a threat to Britain as the world's leading power. This threat from Germany led to the conclusion of the Entente, the alliance of Britain, France and Russia; Germany established the Triple Alliance of Germany, Austria-Hungary and Italy. The general outline of the First World War became more and more clearly perceived. In the meantime there were a number of "minor" wars: pieces of the Ottoman Empire were seized—Italy seized Tripoli, Austria-Hungary seized Bosnia and Herzegovina and Greece got Crete. Then began the Balkan war, the direct precursor of the world war.

As the economic and political forces of capitalism developed, the working-class movement also grew, it became more organised and increased its struggle against the bourgeoisie.

In this period trade union organisations were also becoming more numerous. In 1906 and 1912 the figures for the total number of organised workers compare as follows (millions)²:

¹ *Statistisches Jahrbuch für das Deutsche Reich*, 1915, S. 342, 350 (the number of submarines is not given).

² *Ibid.*, 1914, Internationale Übersichten, S. 102.

Year	Germany	Britain	U.S.A.	France	Italy	World
1906	2.2	2.1	2.0	1.0	0.6	8.0
1912	3.7	3.3	2.5	1.0	1.0	13.9

Despite the substantial growth of the trade unions they were still not "recognised" by capitalists in heavy industry (with the exception of those in Britain) and collective agreements with them were not concluded. U.S. industrialists were particularly implacable in their attitude towards the trade unions, and the "open shop" became a programme of action for the big bourgeoisie in their struggle against the trade unions. In 1909, capitalists in the U.S. coal industry told the United Mine Workers: "We do not recognise you as United Mine Workers at all; not today or at any time. We recognise you as representing men in our employ. . . ."¹ Henry Clay Frick, chairman of the board of the Carnegie Steel Trust and later of the United States Steel Corporation, said: "Under no circumstances will we have any more dealings with the Amalgamated Association as an organisation. This is final. . . ."² This position is typical of the attitude of the United States Steel Corporation up to 1937.

The capitalists used every possible means in their struggle against the trade unions; they maintained armed police at the factories, employed detectives to spy on the workers, organised raids on trade-union premises and hired strike-breakers to smash strikes.

In 1910, the number of hours worked per week in the "union" trades was 50, but in the "non-union" branches it was, on the average, 60.5.³ In the U.S. iron and steel industry a twelve-hour working day was still considered normal as late as 1914. In Great Britain and Germany the working week before the First World War was from 48 to 60 hours.

¹ Thomas R. Fisher, *Industrial Disputes and Federal Legislation*, New York, 1949, p. 56.

² *Ibid.*, p. 237.

³ Richard A. Lester, *Economics of Labor*, New York, 1946, p. 346.

Working conditions deteriorated considerably with the introduction of production lines. Even Henry Ford wrote in *My Life and Work*, that "the machinery of the unit is adapted to the single casting; thus the men in the unit each perform a single operation that is always the same. . . . Some of the operations are undoubtedly monotonous—so monotonous that it seems scarcely possible that any man would care to continue long at the same job."

Two British writers, Morton and Tate, quoted the following data on the differentiation of the British working class in the period under consideration. "The working class . . . may be said to have been divided into three more or less clearly defined categories. . . . The 'aristocracy of labour', the upper layer . . . about 15 per cent. . . .

. . . a broad stratum of rather less than half of the working class, including the ordinary skilled men, the better paid labourers and the growing body of semi-skilled. . . . the so-called 'unskilled labourers' in a variety of industries and workers in 'sweated' trades."¹

The conveyor system brought about a change in the composition of the working class, especially in the U.S.A. Branches of industry that had employed a considerable section of the working-class aristocracy gradually went over to the employment mainly of "improvers". As far back as 1915, two American writers said: "The Ford Company has no use for experience, in the working ranks, anyway. It desires and prefers machine-tool operators who have nothing to unlearn . . . and will simply do what they are told to do, over and over again, from bell-time to bell-time."²

During the shift Ford's workers even had their names taken away from them—they had to wear a number on their overalls and they were paid by that number, were called upon by the number and so on.

¹ A. L. Morton & George Tate, *The British Labour Movement 1770-1920*, London, 1956, pp. 144-145.

² Arnold and Faurote, *Ford Methods and the Ford Shops*, New York, 1919, p. 41.

Workers were employed in three shifts of eight hours and each shift was allowed a ten-minute break for a meal. "The workers do not leave their places during eating time, as a rule."¹ Production processes were subdivided to such an extent that workers were allowed one second per operation.²

According to bourgeois statistics the real wages of U.S. and British workers dropped because prices increased faster than wages.

The polarisation of the working-class movement was intensified—the workers became more revolutionary (the general strike in Belgium in 1902, the 1905 Revolution in Russia, fierce class battles in the U.S.A.) and the reformist leaders of Social-Democracy went over to the side of the bourgeoisie more openly than before (the participation of socialists in bourgeois government—David, Hertz, Calwer in France and, especially, Hildebrand³ in Germany). The Centrists, the "Austro-Marxists" and Kautsky, concealed their opportunism behind Left phrases. In Russia the Social-Democratic Party had split into Mensheviks and Bolsheviks. Under pressure exerted by the masses, the Basle Congress of the Second International unanimously adopted an anti-war resolution. The British Labour Party, on August 6, 1914, demanded that Great Britain remain neutral. Nevertheless all the working-class parties, except the Bolsheviks, surrendered to the bourgeoisie.

The Second International proved itself bankrupt, it collapsed at the very outset of the First World War. Lenin wrote at the time that in a number of countries opportunism ... "has grown ripe, overripe, and rotten, and has become completely merged with bourgeois policy in the

¹ Arnold and Faurote, *Ford Methods and the Ford Shops*, New York, 1919, p. 60.

² *Ibid.*, p. 118.

³ Hildebrand's book, *Die Erschütterung der Industrieheerrschaft und des Industriesozialismus* (Jena, 1910) was such an outspoken apology for imperialism that the leadership of the Social-Democratic Party was forced to expel its author from the Party.

form of 'social-chauvinism'.¹ In this article Lenin showed that opportunism is not something fortuitous, that it is not the treachery of individuals, but a product of history.

On the eve of the First World War the working class had become better organised, there was greater solidarity and its resistance in the class struggle between the proletarian masses and the bourgeoisie had become much greater. The outbreak of the imperialist war revealed with great clarity the treachery of the reformist wing of the world socialist movement. At the same time, however, genuinely revolutionary forces began to make themselves felt in the working-class movement, under the influence of Lenin and the Bolsheviks, and these forces subsequently achieved a decisive victory in the class struggle against imperialism.

¹ V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, Moscow, p. 187.

CHAPTER III
THE FIRST STAGE OF THE GENERAL CRISIS
OF CAPITALISM

The establishment of the world's first socialist state was an entirely new factor that gave greater strength to the internal forces leading to the inevitable collapse of the capitalist system as a whole. It was demonstrated in practice that the overthrow of the dictatorship of the bourgeoisie is not only necessary but is possible, that the achievement of the final aim of the working-class movement—the establishment of a socialist system—is not something for the indefinite and distant future, but is within reach of a single generation, that the proletariat can take possession of the productive forces and employ them without the bourgeoisie, whereas the bourgeoisie as a class cannot exist without the proletariat.

Large sections of the proletariat in all countries soon realised the significance of the Great October Socialist Revolution. A wave of economic and political strikes swept over the capitalist world. Communist parties began to take shape. In the countries that were defeated in the First World War the revolutionary crisis developed to such an extent that it became possible to overthrow the bourgeoisie and establish, even if only for a brief period, the dictatorship of the proletariat (Bavaria, Hungary).

The news gradually found its way to the peasantry of the whole world that there was a country whose working-

class government had confiscated the land of the landlords and handed it over to the working peasantry without compensation. There was a probability of the bourgeoisie losing the support of the peasantry, of the peasantry becoming the ally of the revolutionary proletariat instead of the reserve force of the bourgeoisie.

The peoples of the colonies gradually discovered that the socialist revolution in Russia had liberated the peoples of the tsarist colonies, granted them equality and given them every opportunity to improve their living conditions and raise their cultural level in a very short span of time. The October Socialist Revolution gave a powerful impetus to the anti-imperialist struggle throughout the world and was, therefore, a grave danger to imperialism.

The October Revolution was a practical demonstration of the correctness of the ideas of Marxism, and led to the rapid dissemination of those ideas in all countries; it carried them to every corner of the world. This was not falsified, reformist, "evolutionary" Marxism, but genuine revolutionary Marxism that had been enriched by Lenin on the basis of the new experience, and had become the modern doctrine of Marxism-Leninism. This was a real danger to capitalism; without the influence of bourgeois (reformist) ideology on the proletariat, the big bourgeoisie, an insignificant minority of the population, could not retain its rule. The emergence of a socialist state on the territory of the old Russian Empire, the formation of Communist parties based on the doctrine of Marxism-Leninism, the foundation of the Third (Communist) International in contradistinction to the bankrupt Second International—all this taken together meant the beginning of the end for capitalism.

The bourgeoisie realised the danger of the proletariat of the whole world following the example of the Russian working class, particularly the proletariat of the vanquished countries where the army and other bodies for the enforcement of power had collapsed as a result of the defeat

in the First World War. The bourgeoisie mustered all their forces for the purpose of preserving capitalism. They did not succeed in overthrowing the dictatorship of the proletariat in Russia despite their armed intervention and their support for the internal counter-revolution. The proletariat and peasantry of the Soviet Republic, under the leadership of the Communist Party and with the support of the revolutionary working-class movement of other countries, fought heroically in conditions of hunger and privation and defended the October Revolution and its gains. The bourgeoisie, however, did succeed in overthrowing the workers' government in Bavaria and Hungary and in a few years they had completely eliminated the post-war revolutionary crisis.

How did the bourgeoisie succeed in this? It can best be seen from the example of Germany. The substance of bourgeois strategy was this—by means of individual concessions to cut off the less politically conscious main body of the proletariat from its revolutionary vanguard and win time to reconstruct the organs of suppression by means of which they maintain power. The German bourgeoisie acted through the agency of the Right Social-Democrats—Ebert, Noske, Scheidemann and others—to whom they handed over the government. The bourgeoisie were forced to accede to the workers' traditional demand for an eight-hour working day, universal suffrage with a secret ballot, freedom of assembly and the press, etc. They set up a commission, headed by the renegade Kautsky, to prepare the way for "socialisation". They raised the workers' wages. By such measures the bourgeoisie toned down the revolutionary temper of the majority of the workers and cut them off from the revolutionary vanguard. The Right-Socialist leaders split the working-class movement. The bourgeoisie gained time for the organisation of new organs of suppression made up of ex-officers of the Kaiser's army, and in battles that lasted three or four years gradually annihilated a large part of the revolutionary proletariat.

The young Communist Party's lack of experience facilitated the success of the German bourgeoisie. The revolutionary crisis in other countries was eliminated by similar methods.¹

In some countries capitalism gained a quarter of a century but its general crisis has become an indubitable fact.

The former faith in the eternal and unshakeable nature of capitalism disappeared entirely. The "democratisation" of Central Europe was the subject of much noisy propaganda on the part of bourgeois advocates, but the people got very little out of it. Not only monopoly capitalism, but also the old generals, the old reactionary state machinery, the old judges, etc., remained in the Weimar Republic. To complement them the bourgeoisie made temporary use of the most reactionary section of the Right Social-Democratic and trade union bureaucracy to rule the country. In the historical situation then obtaining the bourgeoisie were unable to assure themselves stable rule through this "democratisation". In a number of countries (Hungary, Italy, Poland, Germany, Spain and others) the ruling classes were forced to renounce bourgeois democracy (which could ensure the rule of the bourgeoisie only on the condition that the majority of the electorate consented "to live in the old way" and the state machinery of suppression was powerful enough to protect the bourgeoisie from the onslaught of the revolutionary forces) and go over to fascist dictatorship.

To deceive the workers, the fascists, instead of openly defending the capitalist system, carried on sham anti-capitalist agitation about "the corporate state", and spread their racial, anti-semitic, chauvinistic demagoguery. The renuncia-

¹ The eight-hour working day was established by law in Germany, Czechoslovakia and Austria in 1918, in France, Poland, Switzerland and Norway in 1919, in Holland in 1922, in Belgium, Sweden and other countries in 1923. A law on the eight-hour day had not at that time been adopted in the U.S.A. and Britain.

tion of bourgeois democracy and the transition to fascist methods of dictatorship showed how internally weak the capitalist system was becoming. There were fascist movements even in the most powerful capitalist countries, Britain and the U.S.A. The big bourgeoisie of all countries were jubilant when they saw how Mussolini and Hitler were suppressing the working-class movement in their own countries and preparing for war against the Soviet Union (the Berlin-Rome axis, the anti-Comintern pact).

To confuse revolutionary workers, capitalist propagandists and Right Social-Democrats disseminated the "theory" that the October Revolution was something typical only of Russia, that it was the result of tsarist absolutism, the absence of democracy and even of some special features of the "Russian soil". But none of these inventions could change the international significance of the October Revolution.

World capitalism underwent some important changes as a result of the economic and political conditions that evolved.

After the First World War the growth of production in the capitalist world proceeded at a much slower rate.

INDUSTRIAL OUTPUT INDEX FOR THE
CAPITALIST WORLD
(1901-1913=100)

1913	1920	1929	1932	1938
121	116	176	111	181

The average annual growth between 1913 and 1938 was thus less than three per cent; almost the entire growth was in the first decade when the capitalist market expanded because of the need for post-war reconstruction; this led to an extraordinary increase in constant capital. The boom ended with a most profound and lengthy over-production

crisis,¹ which was followed by a cycle of depression with no booms.² The American bourgeois economist Hansen wrote: "At the end of the interwar period (i.e., the peak of the post-war boom, so-called) the per capita real income (of the U.S.A., Great Britain, Germany and France—E.V.) was only 18 per cent above that of 1913."³ That is less than two-thirds of one per cent per annum, which is within the bounds of permissible statistical inaccuracy.

The effect of the general crisis of capitalism was felt also in agriculture in the majority of capitalist countries. The extra war-time demand had led to a great extension of cultivated areas and to bigger crops in the transatlantic countries; this led to a general overproduction of food in the more developed capitalist countries which became particularly acute at the time of the economic crisis of 1929-1933. The U.S. government introduced compensation payments for a reduction of the area under crops. The output of livestock products was curtailed in Holland and Denmark, the output of wheat was reduced in France, of rice in Japan

¹ The bourgeoisie, especially in the U.S.A., were blinded by the cyclic boom of the 'twenties and believed in "eternal prosperity". In his annual message to Congress on December 4, 1928, President Calvin Coolidge said: "No Congress of the United States ever assembled, on surveying the state of the Union, has met with a more pleasing prospect than that which appears at the present time. . . . The great wealth created by our enterprise and industry . . . has had the widest distribution among our own people. . . . Enlarging production is consumed by an increasing demand at home and an expanding commerce abroad. The country can regard the present with satisfaction and anticipate the future with optimism." Nine months later the most profound and lengthy economic crisis in the history of capitalism broke out in full force.

Similar optimistic prophecies were made by leading capitalists and advocates of capitalism in Europe and America.

² The loss of the Soviet Union to the capitalist market was not the direct cause of this phenomenon. Total exports constituted about 10 to 15 per cent of capitalist production. Exports to Russia never played an important part. Germany, one of the biggest suppliers to pre-revolutionary Russia, sent only 9 per cent of her exports to that country in 1913 (about 1.5 per cent of Germany's total industrial output).

³ Alvin H. Hansen, *The American Economy*, New York, 1957, p. 3.

and of coffee in Brazil, etc. There was a mass destruction of food at a time when hundreds of millions of people in the under-developed countries, and, at the time of the over-production crisis, in the more developed capitalist countries as well, were underfed. The decay of capitalism was made manifest to an extraordinary degree. The agrarian crisis, in a more or less acute form, has been constant since that time as a result of the growing contradiction between the growth of production and the absence of a solvent demand.

The same contradiction gave rise to surplus capacities in industry, to factories working permanently below capacity, and led to the appearance of chronic unemployment on a mass scale, especially during the last decade of this period; it led to the rate of growth of those engaged in non-productive pursuits rising faster, as compared with the rate of growth of those engaged in the production of new values. In Britain, for instance, the number of those engaged in production (manufacturing industries, mining, building and transport) dropped from 7,900,000 in 1928 to 7,100,000 in 1933, i.e., from 77.2% to 69.2% of the total number of persons gainfully employed. The number of non-productive workers (trading, banking, government and municipal employees) increased in the same period from 2,300,000 (22.8%) to 3,200,000 (30.8%).¹ The crisis of capitalism led to the almost universal abolition of the gold standard, to inflation and the devaluation of currencies, to the growth of parasitism and to a state of affairs, such as that in Great Britain and France, in which interest on the national debt accounted for almost half the country's budget.

The First World War brought about very considerable changes in the alignment of forces in the capitalist world. Austria-Hungary broke up into a number of small states;

¹ These figures are taken from the *Labour Gazette*; unemployed workers are not included.

the Ottoman Empire ceased to exist; Germany was deprived of her colonies, her navy and part of her mercantile fleet; Alsace and Lorraine were returned to France, the Rhineland was occupied by the allied powers. Uneven economic and political development wrought changes in balance of forces in the capitalist world. France became a strong capitalist land power; Britain lost her position as the leading world power and her place was gradually taken by the U.S.A. that, unlike the European countries, had grown much richer on account of the war.

When the war ended the traditional isolationist policy of the U.S.A. gained an apparent victory over the imperialist expansionist policy of monopoly capital. Congress rejected the Versailles Treaty and did not sanction U.S. membership of the League of Nations. The implementation of an imperialist policy, however, continued in heavy exports of capital and in the leading part played by the U.S.A. in European affairs (the Dawes and Young Plans, the struggle against the Soviet Union, the re-establishment of militarist and imperialist Germany). Using the threat of a naval arms race, the U.S.A. compelled Great Britain to agree, at the time the Washington Naval Treaty (February 6, 1922) was signed, to the parity of the navies of the two countries. This put an end to Britain's age-old mastery of the seas and marked the beginning of the recognition of the U.S.A. as the world's leading power. The U.S.A. penetrated more and more deeply into the economy of all countries on the American continent and turned them into her semi-colonies. At the Ottawa Conference in 1932 Great Britain was compelled to renounce her traditional Free Trade policy and establish a system of imperial preference.

The struggle against the Soviet Union began to determine, to an ever greater extent, the foreign policy of the capitalist powers. France, scared by the Rapallo Treaty (1922), set up the Little Entente, composed of countries

situated between Germany and the Soviet Union; it was intended as a defence against Germany and at the same time was directed against the Soviet Union. The Anglo-Saxon powers, who were less afraid of Germany than of France, directed their policy more and more openly towards the re-establishment of Germany's military power in the hope of using Germany in a war against the Soviet Union. The Anglo-Saxon countries gave Germany their support by making large investments in that country and by renouncing reparations payments. The reactionary circles in Britain and the U.S.A. financed the fascist movement and helped Hitler to come to power. Britain (although she had been compelled to "recognise" the Soviet Union under pressure from the working class in 1924) gave her support to Hitler; she concluded the "naval treaty" with him in 1935, allowing him to build a fleet one-third the size of Britain's, and refused to help France in 1936 when Hitler's troops entered the Demilitarised Rhine Area. Even in France a policy based on the concept that the struggle against the Soviet Union was more important than the struggle against Germany gradually gained the upper hand (for instance—the Briand-Stresemann talks). Neither the Western Powers nor the League of Nations did anything to prevent Japan seizing a large part of China or to prevent Italy seizing Abyssinia. The governments of Britain and France helped the fascist governments of Germany and Italy by their policy of "non-intervention". Thus, the way was paved for the Munich policy, i.e., the approval by Britain and France of Germany's seizure of Austria, Czechoslovakia and the Free City of Danzig (now Gdańsk, Poland) as the prelude to the Second World War.

The First World War was fought for a redistribution of the colonies. After the First World War, Germany's colonies were, with the help of the sham mandates of the League of Nations, distributed mainly between Britain (and her dominions) and France. The former Ottoman

Empire (with the exception of Turkey, part of which should have gone to Italy and Greece) was also divided between Britain and France. Although the colonial system expanded territorially (Italy's seizure of Abyssinia in 1935, Japan's seizure of Manchuria, Northern and Eastern China) the general crisis of capitalism nevertheless led to the internal weakening of the colonial system. The resistance put up by the peoples to their enslavement by the imperialists was partially successful. The Turks, under Kemal Pasha, drove the Italian and Greek invaders from their soil. Persia, coming under British military and political control, became a semi-colony after the First World War; she liberated herself from British rule in 1925, although the oilfields remained in British hands.

The most outstanding colonial acquisition of the period was the establishment of British imperialist rule over the Arab countries. During the First World War the British had taken advantage of the legitimate discontent of the Arabs with their Turkish oppressors and through their agent, Colonel Lawrence, had promised them independence, supplied them with arms and mobilised them against the Turks, especially after the collapse of Churchill's attempt to seize the Dardanelles.

When the war ended, Britain, instead of granting the Arabs the promised independence, herself seized and divided their territories and handed over part of Syria and the Lebanon to France, no attention being paid to the wishes of the Arabs. Furthermore, on the pretext of providing the Jews with a home the British took Palestine away from the Arabs in order to build an imperialist military base there, at first in the guise of a mandated territory and later, after the Second World War, as the Republic of Israel. The outcome is that a million Arabs who have lost their homes have been dragging out a miserable existence in refugee camps for over ten years. The hatred that the Arabs display towards the placemen of British and American imperialism in Palestine can well be understood. The

real nature of the Israeli state as a tool of imperialism was clearly demonstrated when that country took part in the attack on Egypt launched by British and French imperialists in 1956.

The Paris Peace Conference (1919-1920) showed how little the victor powers cared for the fate of weaker countries, despite the pompous phrases that were uttered on this score; on the pretext that China did not take part in the war the conference refused even to consider the complaint made by China against Japan (who, in 1914, had seized the territory rented from China by Germany).

With the example of the abolition of the tsarist colonies in the Soviet Republic before them, the peoples of the colonial countries intensified their struggle, endangering the power of the imperialists. There were rebellions in Morocco, Madagascar and Egypt, the people of Iraq fought against the British occupants and in 1920 some 2,000 British soldiers lost their lives in the struggle; after the Amritsar massacre in 1919, when a meeting was fired on by troops and a thousand people were killed, the resistance movement in India developed more strongly; these were fore-runners of the future crises of the colonial system as a whole.

The revolutionary crisis that followed the First World War brought about a tremendous growth of the strike movement in most of the capitalist countries. In Germany, 7,000,000 workers took part in economic and political strikes in 1920. From 1918 to 1921 the average annual number of strikers in Britain was almost 2,000,000; the miners' strike in 1921 resulted in the loss of 72,000,000 man-days. There were also big strikes in France, Italy and the U.S.A.

The membership of the trade unions grew considerably in the course of these class battles. The International Labour Bureau of the League of Nations published the following figures of trade union membership (millions):

	Germany	Britain	U.S.A.	France	Italy	Capitalist world
1912	3.7	3.3	2.5	1.0	1.0	13.9
1920	13.0	8.0	5.2	2.5	3.1	43.0 ¹

In the period of the stabilisation of capitalism the bourgeoisie conducted a fresh campaign against the workers and deprived them of a considerable part of the concessions that the bourgeoisie had been forced to make in the period of the revolutionary crisis. The "rationalisation" of production brought about a considerable intensification of labour. Inflation reduced wage increases to zero. In those countries where currency remained stable the bourgeoisie simply docked wages. The British Chancellor of the Exchequer, speaking in Parliament on June 24, 1924, cited the following figures (here summarised).

INCOME FOR THE FISCAL YEAR
(£ million)

	Profits and incomes of capitalists and the free professions	Workers' wages
1920-1921	1,271	945
1921-1922	1,394	520

No comment is needed.

According to official U.S. statistics, the share of the lower income group (i.e., 95 per cent of the population) in the national income was 77.9 per cent in 1920 and 74 per cent in 1927.²

The proletariat lost the gains it had achieved at the time of the revolutionary crisis mainly because of the treachery

¹ This figure includes about 3,000,000 members of "neutral" trade unions—the Christian trade unions and the yellow trade unions set up by the employers at their factories to combat real class unions.

² *Historical Statistics of the United States, 1789-1945*. Washington, 1949, p. 15.

of the Right Social-Democratic and trade union leaders who split the working-class movement—the parties and the trade unions—and collaborated with the bourgeoisie against the working class.

The anti-working-class activity of the Right Social-Democratic leaders, however, had another effect—it exposed them and thereby accelerated the formation and growth of Communist parties in a number of capitalist countries in this period. In Germany, France and Italy the Communist parties became the mass organisations of the most progressive workers. Fascism drove the Communist parties underground, but their heroic struggle provided them with rich political experience, tempered them in the fires of the class struggle and prepared them for the position they have taken after the Second World War.

CHAPTER IV

THE SECOND STAGE OF THE GENERAL CRISIS OF CAPITALISM

The second stage of the general crisis of capitalism is a period extremely rich in historical events with which most readers are familiar. The chief outcome of the events of this period is: a substantial weakening, primarily politically but also, to a lesser extent, economically, of imperialism and a very considerable strengthening of socialism both politically and economically and the formation of the world socialist system. This is the exact opposite of what the imperialists expected from the Second World War.

Hitler and the German imperialist bourgeoisie wanted to rule all continental Europe and conquer Lebensraum for themselves as far as the Ural Mountains, "driving the Bolsheviks into Asia". Reactionary Western statesmen (Chamberlain and others) concluded the Munich agreement in an effort to direct the aggression of German imperialism eastwards, towards the Soviet Union, in the hope that it would lead to the weakening of both Germany and the Soviet Union. Even after the outbreak of the Second World War in September 1939, France and Britain carried on the so-called "phoney" war on the western front until May 1940, and did practically nothing to deal a blow at Hitler's armed forces.

The outcome of the Second World War, however, was far from what the two belligerent groups (Germany, Italy, Japan and the U.S.A., Britain and France) had expected.

The internal contradictions of imperialism proved stronger—probably for the last time in history—than the contradictions between the two systems, the socialist and capitalist systems. The leaders of the Anglo-Saxon countries had been scared by the disgraceful defeat of the French army (after the First World War considered the most powerful in the capitalist world¹), the inglorious retreat of the British army from France, and Hitler's seizure of almost all the western part of continental Europe (in which no small part was played by the treachery of such reactionaries as Pétain, Laval, and Quisling who considered it more important to fight against Communists than to uphold the independence of their own countries); under pressure of the working people they were compelled, when Hitler attacked the Soviet Union, to enter into a political and military alliance with that country. It stands to reason that the aims of the Soviet Union and her allies in the Second World War were completely different. The U.S.S.R. aimed at the complete destruction of fascism and all its consequences. Britain and the U.S.A. aimed at the defeat of their imperialist rival and the weakening of the U.S.S.R.

Even after the conclusion of the alliance the struggle between the socialist and capitalist systems did not cease. Churchill's main efforts, even while the war was still in progress, were directed not to rendering aid to the Soviet Union, not to ensuring the defeat of Hitler, but to preserving the British Empire and putting up all possible barriers to prevent the spread of socialism to other countries after the war. This explains the delay in opening the second front in Western Europe until such time as it became clear that the Soviet Union could liberate all Europe from fascist slavery by its own efforts; the dispatch, on the pretext of the need to prevent the union of German and Japanese

¹ The strategic causes of France's defeat were primarily the conservatism of her generals who based France's defence on the experiences of the First World War (the Maginot Line) and their underestimation of the significance of new weapons (tank armies and air forces).

forces, of Britain's strongest army formations to theatres of war that were not decisive (Africa, the Middle East, Greece); the persistent proposal in the last years of the war to open the second front in the Balkans, to seize Vienna, etc.²

Serious difference between the Soviet Union and her allies, especially Britain, emerged before the end of the war over the question of the social structure and governments of the countries liberated from fascism. The allies wanted to ensure in good time that the capitalist system would be retained; they wanted to hand Poland and Czechoslovakia over to reactionary bourgeois leaders living in exile in London and calling themselves the governments of those countries. The Soviet Union considered that the peoples of those countries should decide for themselves whether they wanted to re-establish the old regime, headed by the old reactionary leaders, or whether they wanted to introduce a new regime under the leadership of the anti-fascist fighters of the country concerned. The retention of the capitalist system in Central and South-East Europe or the establishment of a new socialist system in that area was one of the decisive questions that led to the development of the cold war in the post-war period.

The struggle between the imperialists of each of the belligerent blocs did not cease during the war. Italy, Hitler's chief European ally, practically did not take part in the war before the defeat of France, she carried on "her own" war with Greece for the conquest of Albania. Japan had "her own" war in East Asia and against the U.S.A.; although Japan had been a party to the "anti-Comintern pact", she concluded a non-aggression treaty with the Soviet Union. The chief U.S. aim in the anti-fascist alliance was to defeat Japan and, parallel to defeating Hitler, to weaken Britain and abolish the British colonial empire. With this aim in view the U.S.A. at first supplied Britain

² A wealth of material on this subject is to be found in the memoirs of Winston Churchill and Marshal Montgomery.

with war materials for cash (i.e., for gold), thus taking away from Britain her gold reserve and her American securities. The U.S.A. went over to the lend-lease system only when Britain's reserves were exhausted and then stopped that lend-lease suddenly at the end of the war without any warning. During the war Roosevelt took advantage of every opportunity to demand the abolition of the British system of preferential tariffs, one of the main economic supports of the British Empire, the granting of political independence to India, and so on. This provided a reason for Churchill to make a very sharp statement in the House of Commons: "I have not become the King's First Minister in order to preside over the liquidation of the British Empire."

Thus we see that the struggle between the two systems in the anti-fascist alliance and the struggle between the imperialists in the two belligerent imperialist groups continued throughout the Second World War, they became intertwined with and complicated the conduct of the war. The Soviet Union emerged victorious from this intricate situation thanks to the heroic struggle of the peoples of the U.S.S.R., led by the Communist Party. The tremendous losses in material and man-power notwithstanding, the plan fostered by the reactionary circles of the imperialist world to weaken the Soviet Union politically were unsuccessful. The opposite is what actually occurred—the role of the Soviet Union in world affairs had never been so great as at the end of the war. The influence of the Soviet Union in world politics continued to increase in the period that followed. Post-war developments resulted in the number of strong world powers being factually reduced to two—the U.S.S.R. and the U.S.A.¹

* * *

¹ In the broader sense of the term, a number of other countries in addition to the U.S.S.R. and the U.S.A. are considered great world powers (for example: China, India, Britain, France and a few others). The author here uses the term "world power" in a narrower sense.

The Second World War ended with the profound perturbation of the capitalist system in the defeated countries; the People's Democracies were formed in a number of European and Asian countries and the capitalist system was retained in Western Europe.¹

The storms that shook the capitalist system at the end of the Second World War had some features similar to those of the revolutionary crisis after the First World War, but in many respects there were substantial differences.

At the time of the revolutionary crisis that followed the First World War the Communist parties (with the exception of the Communist Party of the Soviet Union) were young organisations with small memberships, they were politically and organisationally inexperienced and still immature in the sphere of theory. In the inter-war period these parties had gone a long way forward. Almost all of them had had experience of underground activities, some of them had become mass parties. In all the countries that had been under Nazi rule the Communist parties played a leading part in organising the resistance and won for themselves the respect of extensive sections of the people.

When the Second World War ended, the U.S.A. and Britain, scared by the tremendous growth of communist prestige, devoted their efforts mainly to the preservation of the capitalist system. In the countries they occupied (France, Italy, Western Germany, Greece) they disarmed the forces of the people that had revolted against regimes established by the occupants or headed by traitors. Although they were compelled to allow the Communist parties of some countries to participate in the governments they counteracted all attempts on the part of the forces of the people to effect a radical reform of society, and with the aid of their military forces and of economic and political support, they ensured

¹ The expressions "East" and "West" are quite arbitrary. Czechoslovakia and the German Democratic Republic belong historically more to the West than the East. As at present used, these terms have a content that is social rather than historical or cultural.

the preservation of the capitalist system. There is no doubt that but for the British and American occupation of Italy and France those countries would have ceased to be capitalist.

The imperialists and their supporters adopted a number of measures, in addition to the use of armed force, to pacify the proletariat and, in general, the discontented masses. These measures were, in part, similar to those used after the First World War. The Nazi occupation was replaced by the Anglo-American occupation and "normal" bourgeois law and order were restored; this served to pacify the less politically conscious masses. The Right Social-Democratic leaders were mobilised for the defence of capitalism in the same way as they had been after the First World War. Those same Right Social-Democratic leaders who, when in Nazi concentration camps, had sworn to fight for ever together with the Communists against the bourgeoisie, who had collaborated with the Communists in the resistance movements in France, Italy and other countries, again began to collaborate with the bourgeoisie and the occupation authorities immediately the war ended; again they became the worst enemies of the Communists and the masses of the people.

In the majority of the defeated countries, however, the relative strength of the Communists and Right Social-Democrats differed from what it had been after the First World War. The greater influence of the Communists among the masses of the working people in France and Italy compelled the occupants and the ruling classes of those countries to consent temporarily to the participation of the Communists in the government, but as the reactionary forces gained strength the Communists were everywhere squeezed out. At the same time, however, the Communists gained the leadership in the trade union and youth organisations. In those countries the Communists were in the leadership of the working-class movement, and the attempts made by the Right-Wing traitors to split the trade union movement met with little success.

Another way in which the new situation differed from that following the First World War was the important political role played by the church, especially the Catholic Church, in the preservation of the capitalist system. The Catholic Church took advantage of the confusion in the minds of the masses resulting from the trials and sufferings they had experienced during many years of war and Nazi tyranny and organised mass bourgeois political parties whose membership was drawn from all sections of the population. After the war these parties became the chief government parties in Italy, France and Western Germany and played a big role in preserving the capitalist system in Western Europe.

The successes achieved by the Catholic Church in organising people with different class interests into one party on a religious basis for the defence of capitalism were only temporary. In France today the Catholic party is not among the most numerous; in Italy the Catholic party has lost its absolute majority in Parliament and is experiencing a profound crisis; in Western Germany it has become an openly reactionary bourgeois party. Catholicism, however, still remains an important weapon in the hands of the big bourgeoisie for the preservation of the capitalist system, not only in the imperialist countries, but also in the dependencies and in the former colonies.

An excellent example is provided by the Indian state of Kerala, where the Catholic Church played a leading role in the reactionary attack on the Communist Government supported by a majority in Parliament. All the bourgeois forces—the Congress Party, the Socialists, the Catholics and the Moslem League—formed a united front against the Communists during the 1960 elections and succeeded in preventing a communist majority in Parliament although the Communists obtained a million votes more than at the previous elections and the number of votes cast for them increased from 35% in 1957 to 43% in 1960. The fact that these elections took on the character of a class struggle,

despite the religious tinge lent them by the Catholic Church and the Moslem League, may be seen from the report in *Neue Zürcher Zeitung*, a Swiss bourgeois newspaper, published on January 23, 1960. "The higher castes fought together with the Christians and the Moslems against the lower castes and the untouchables, and their parties followed suit. . . . During their two-and-a-half years' rule, however, the Communists had been so purposeful in showing favour to the lower strata of the population that they can now rely on the support of the majority of the poor and the untouchables." The election results showed that religious agitation had not been very effective although election day Mass was said continuously in the Catholic churches from four o'clock in the morning and sermons were preached calling on the people to vote against the Communists; the influential religious leader of the Moslems, Tangol, even quoted the Koran against them.

The ultra-reactionary role of the Catholic Church in South Vietnam is also well known.

The Catholic Church is today still the centre around which counter-revolutionary forces are organised in those People's Democracies that have a Catholic population (Poland, Hungary).

Events took a course in Central and South-Eastern Europe that differed radically from that of Western Europe. By liberating the countries of Central and South-Eastern Europe from the Nazi occupants, the Soviet Union opened up the way for the free activity of the patriotic anti-fascist forces that had organised the resistance movement against the Nazis and their allies among the ruling classes of the countries concerned and had taken part in the liberation of those countries. They began a long struggle between the capitalist and anti-capitalist forces, a struggle that ended in three or four years with the victory of the latter and the transition to building socialism in all the countries of Central and South-Eastern Europe (with the exception of Greece where British troops succeeded in saving the reactionary

regime). Two states took shape on the territory of Germany—the capitalist and militarist Federal Republic of Germany and the socialist and peace-loving German Democratic Republic. After the victory of the revolution in China and the emergence of the People's Republics of North Korea and North Vietnam, in the course of post-war development the world socialist system was formed; its territory stretches from the Elbe to the Pacific Ocean and from the Arctic Circle to the tropics. There are none of the antagonistic contradictions among the socialist countries such as there are among those of the capitalist world; each of them is interested in the economic and political progress of the others; joint planning and the unselfish aid of the stronger for the weaker are developing ever more widely. Close economic collaboration and fraternal mutual assistance between countries are typical features of the world socialist system.

The establishment of the world socialist system brought about a radical change in the relation of forces of capitalism and socialism, a change that was in favour of socialism. This is the most important result of post-war development.

The imperialist countries, headed by the United States, reacted to this change in the balance of forces by starting the cold war that has continued with varying tension to the present day.

* * *

The chief capitalist countries (the U.S.A. excluded) emerged from the war with their real national wealth very much reduced because war expenditure, war damage and civilian consumption (although it was greatly reduced during the war) were, taken together, greatly in excess of current production, which had been gradually curtailed owing to a shortage of labour and raw materials and to the wear and tear to which machinery and equipment had been subjected. This process of the reduction of the real na-

tional wealth was concealed by a seeming increase of wealth in the form of money; the capitalists had sold their wares to the state and had received extraordinarily high profits from the deal; they accumulated huge sums of money but were unable to convert them into production capital on account of the shortage of raw materials, machinery and labour on the market. Capitalists, civil servants, office employees and part of the working class were unable to spend all their incomes on articles of consumption because with the state-controlled prices there was a shortage of food, furniture, textiles, machines and housing. Thus money accumulated although its owners were forced to spend part of their income on the black market.

The reduction of the national wealth and the accumulated demand left over from the war for means of production and articles of consumption of long-term use (housing, furniture, household goods, etc.) led, after the war, to a rapid growth of production on the basis of an extraordinary but temporary expansion of the capitalist market and the absence of an over-production crisis in the capitalist world until 1957-1958.

INDUSTRIAL PRODUCTION INDEX OF THE CAPITALIST WORLD
(1901-1913=100)

1937	1946	1948	1950	1952	1954	1956	1957	1958	1959
198	216	258	294	333	354	411	421	411	450

As we have already noted, these figures are not very accurate. Some indexes are often "rounded off" and always by increasing the figure. (The correction of the index is justifiable since the share taken by "new" branches of industry increases with technical progress.) Nevertheless we may state as a fact that after the war capitalist production increased at a relatively high rate. In 1956 it was double the pre-war figure.¹ After 1956 the rate of growth de-

¹ We have not taken 1938, the last pre-war year, because it was a year of crisis and its use for comparison would incorrectly increase the rate of growth.

creased and the cyclic nature of capitalist reproduction, so typical of it, again made itself distinct.

The index of capitalist world production makes indistinct the very great inequality in the development of the leading capitalist countries.

INDUSTRIAL PRODUCTION INDEX FOR THE LEADING
CAPITALIST COUNTRIES
(1953=100)¹

Year	U.S.A.	Canada	Britain	France	West Germany	Japan
1937	46	43	80	78	78 (1938)	80
1946	67	69	72	60	20-35 (our estimate)	24
1948	75	75	84	80	39	36
1954	94	100	107	109	112	108
1957	110	120	115	144	146	167
1958	102	118	113	150	151	168
1959	146	128	120	159	162	208
1960	119	130	128	169	179	258

(provisional)

Inaccurate as these figures may be, the following conclusions may be drawn from them.

1. In the first post-war year the level of production in the U.S.A. and Canada was 50 per cent higher than the pre-war figure. These countries gained from the war. In the West-European countries and Japan the level of production was considerably below pre-war—in Britain by 10 per cent, in France by 24 per cent, in West Germany by more than half (approximately), while in Japan the level of production

¹ Summarised from U.N. data. There are differences of one or two points in the different U.N. publications, but they are within the margin of error of the statistics. The new U.S.A. index is three points higher than the old.

was 70 per cent below pre-war. The general line is quite clear—the defeated countries suffered more than Britain and France.

2. In subsequent years the rate of production growth in the U.S.A. and Great Britain was obviously lower. In France, on the contrary, and in West Germany and Japan in particular, the rates of growth were exceptionally high. The economic crisis of 1957-1958 checked that growth slightly or slowed it down.

3. By 1958 post-war development brought the level of production in the leading industrial countries of the capitalist world up to approximately 2-2.5 times the pre-war figure. The exception is provided by Britain who succeeded in increasing production by only 40% and is, therefore, lagging behind the other leading capitalist countries in this respect. One of the chief reasons for this lag is the big share in British industry played by those branches that are now undergoing a "structural" crisis—textiles, coal, ship-building.

The influx of American capital in the form of direct investments, loans, the purchasing of shares, state aid, etc., has played a certain role in the rapid rehabilitation of the economy of the defeated countries.

The unevenness of economic development has found its vivid manifestation in the post-war period in the position taken by the U.S.A. American capital was able to take advantage of the weakening of its competitors to seize a considerable share of world export of both commodities and capital. U.S. share in the exports of the capitalist countries increased from 14 per cent in 1937 to 33 per cent in 1947. At the same time the U.S.A. retained her system of protective tariffs in order to ensure the monopolies high prices on the home market; this was the chief reason the monopolies were able to acquire such huge superprofits. The share of imports in the U.S. national income continued to remain very small. It was 2.6 per cent in 1938, 2.8 per cent in 1954 and 3.1 per cent in 1956. In the period 1946-1949 the net

excess of U.S. exports over imports was about 25,000 million dollars. Such a situation is obviously contrary to the laws of capitalism. In 1953 the present author wrote: "No imperialist country can endlessly export more than it imports." (The exports of colonies, as a general rule, exceeded their imports; this was their tribute in kind to the imperialists.) The result was that U.S. trade policy, serving only the interests of the American monopolies, created the dollar shortage and led to the division of the world capitalist market into currency zones, forced the other capitalist countries to curtail their import of American goods and to enter into fierce competition with them on the world market. The dominant position of the U.S.A. on the world market gradually weakened. In 1959 the favourable trade balance was only 2,400 million dollars and America's balance of payments—mainly because of huge military expenditure abroad (military bases, the maintenance of the U.S. armed forces in foreign countries, military "aid", etc.)—became distinctly unfavourable and the U.S.A. lost 4,000 million dollars worth of gold in one year. Even the most powerful capitalist country cannot long contravene the economic laws of capitalism.

Beginning with the autumn of 1960 the flow of gold from the U.S.A. reached such huge dimensions that the dollar faced a crisis. The price of gold on the London stock market at times reached the figure of 40 dollars an ounce as compared with the official price of 35 dollars an ounce. The U.S.A. was compelled to take urgent measures to save the dollar and reduce the balance of payments deficit; the Secretary of the Treasury and several other highly-placed persons were even sent to West Germany and Britain to ask for help; the U.S.A. was forced to buy gold from the International Monetary Fund. The outflow of gold, however, still continued.

Considerable interest attaches to the industrial development of the under-developed countries in the same period.

INDUSTRIAL PRODUCTION INDEX
(1953=100)¹

Year	India	Pakistan	Mexico	Argentina	Brazil	Belgian Congo
1938	76	—	64	—	—	—
1948	87	84	83	64	39	11
1957	130	192	139	105	69	30
1958	132	215	147	121	125	40
1959	147	240	159	125	—	150
1960	158	—	170	111	—	140
(provisional)				114	—	—

These figures are still less accurate than those for the leading industrial countries where statistics have been kept for a long period. Nevertheless, they serve to show that in the last ten years rates of industrial growth in some under-developed countries have been lower than those of the highly-developed countries; in a few of the countries, the Congo and Pakistan, for instance, rates of industrial growth were higher. The overall impression is (the figures being very inaccurate) that the rates of industrial growth in the under-developed countries were no higher than those of the imperialist states, despite the very active propaganda on the part of the imperialist countries to the effect that they have "helped" the under-developed countries develop their industries. By 1958 India, the biggest of these countries, had increased the volume of her industrial output to a lesser degree than any of the highly-developed countries except Britain.

The following figures show that there has been no levelling in industrial output to the benefit of the under-developed countries, the position remaining about the same as it was before the war.

¹ Summarised from U.N. statistics.

SHARE OF THE HIGHLY-DEVELOPED CAPITALIST COUNTRIES
IN THE INDUSTRIAL OUTPUT OF THE CAPITALIST WORLD

Year	U.S.A.	Canada	Britain	France	West Germany	Italy	Japan	Total
1937	41.4	2.7	12.5	6.0	9.0 (all Germany)	3.0	4.8	79.4
1948	56.4	3.6	11.7	4.1	4.3	2.1	1.5	83.7
1957	48.6	3.5	8.1	5.0	9.9	3.6	3.0	81.7

Between 1937 and 1948 the share of the seven highly-developed industrial countries in the industrial output of the capitalist world increased by about 4 per cent and between 1948 and 1957 it decreased by about 2 per cent. If the same line of development continues for another ten years the pre-war situation will again be reached.

Great changes took place in the war years in the sphere of agricultural production. The area under crops was greatly increased in the U.S.A. and Canada and harvests were higher. In Western Europe the area under crops was curtailed owing to the shortage of labour, fertilisers, etc. The agrarian crisis that had continued throughout the inter-war period with varying intensity was temporarily lulled. Agricultural production continued to increase in the transatlantic countries for several years after the war when continental Europe was still unable to feed itself.

In the course of time the situation changed. The countries of Western Europe in which farm production had noticeably decreased during the war gradually began to regain their former position. After 1955 the harvests in those countries (with the exception of Spain) greatly exceeded the pre-war level. This caused over-production on the world market. The share of the U.S.A. and Canada in the world output of wheat dropped from 42 per cent in 1945-1949 to 30 per cent in 1957. In the non-European capitalist countries the agrarian crisis again took on an acute form; in Canada and Australia production dropped to below the pre-war level. The prices of imported Australian

wheat, which may be regarded as average for the world market, per ton in London were (£):

1952	1955	1958	1959	1960 (August)
31.3	26.8	25.3	24.0	21.2

There was a similar drop in prices in Canada and other wheat-exporting countries.

The situation in the U.S.A. had its own specifics. The U.S. Government for political reasons (to ensure the support of the capitalist farmers, the most numerous section of the capitalist class) spends an annual 5,000 million dollars in subsidies to maintain prices of wheat and other farm produce. This had the effect of making prices on the U.S. home market vastly different from those on the world market. The price of wheat dropped very little: in 1951 it was 2.62 dollars a bushel, in 1959—2.26 dollars. The farmers received high government prices on condition that they reduced the area planted to wheat. Higher yields, however, reduce to nought the government's efforts to prevent over-production. The wheat harvest per hectare increased from 8.7 centners in 1934-1938 to 11.6 centners in 1950-1954 and to 13.8 centners in 1955-1957. The government reserves of farm produce held in stock increased in value to 10,000 million dollars. At the same time the incomes of the American farmers decrease year by year. The U.S. Government, therefore, is unsuccessful in its fight against the over-production of farm produce. The agrarian crisis is being artificially concealed. If the U.S. Government were to stop paying subsidies and the country's stocks of farm produce were released on the world market, the agrarian crisis would become an open world crisis, despite the fact that the majority of the population of the capitalist world, as we shall show later, is still on the verge of starvation.

* * *

The Second World War brought about significant changes in the position of the capitalist countries.

Germany, who temporarily occupied territories stretching from the Atlantic Ocean to Stalingrad (now Volgograd) and from the Arctic Circle in Norway to North Africa, was driven out of all the territories she had seized. The German Democratic Republic was formed. The present eastern frontiers of Western Germany are along the River Elbe.

Japan, who ruled over territories from Korea to Indoneisa, has been deprived of all her old and new conquests, and her territory reduced to that of Japan proper.

Italy lost all her African colonies and her European territories with a Slav population.

The U.S.A. became the leading, and the only world capitalist power.

The position of the U.S.A. as the leading capitalist world power is based on her tremendous economic superiority over all other capitalist countries. Although this superiority, as we have mentioned above, has become less during the past 15 years as a result of unequal economic development, the position is not substantially different. A comparison of the chief economic indexes, taken from official sources, will show this.

	U. S. A.	Britain, France, West Germany, Italy combined ¹
Area (000 sq. km)	7,828	1,344
Farmland and orchards (000,000 hectares)	188	52
Population (000,000 [1959])	178	199
Steel (000,000 tons [1958])	77	65
Electric power (000 million kwh)	721	301
Gold reserve (000 million dollars [end of 1958])	21	8
National income (000 million dollars [1957])	364	142 ²

¹ We have not included Japan because the country is still factually dependent politically on the U.S.A.

² Converted into dollars at official rates. The original figures were not very accurate and their conversion into dollars is not quite correct as a method, but in the present case this does not make any great difference.

This table, which could have been greatly extended, shows the tremendous economic superiority of the U.S.A. over all European imperialist powers combined,¹ except, of course, as far as population is concerned.² Consideration must also be given to the fact that in 1957 labour productivity in the U.S.A. was, on an average, 2.2 times higher than in Britain (data of the Organisation for European Economic Co-operation). The difference in the level of economic development may become smaller but it is hardly possible that the U.S.A. will lose her tremendous superiority because such important factors of this superiority as territory and population are constant in character, and the most important factor of all, the productivity of labour, is much higher in the U.S.A. than in other countries.³

The U.S.A. maintains her position as a world power by the annual expenditure of about 50,000 million dollars in the form of armaments, atomic energy and military and economic "aid." [The events of 1960 show that even the U.S.A. is not in a position to spend such sums annually (See page 59).] The total national income of France amounts to about 40,000 million dollars a year. Obviously neither France, Britain nor West Germany could possibly achieve a position of parity with the U.S.A. as a world power. To this must be added that throughout the last ten years France has received about 6,000 million dollars

¹ As far as steel is concerned, 1958 was a crisis year in the U.S.A. The amount produced in 1957 was 102,000,000 tons.

² The inclusion of the population of the British dominions would change the picture to some extent, but it would not be a true picture. The most powerful dominion, Canada, has closer links with the U.S.A. than with Britain and the Union of South Africa has already left the Commonwealth and become an independent republic. The centrifugal force operating within the British Empire is constantly gaining strength.

³ U.S. economy has been developing very slowly in recent years. The average annual level of production in the 1954-1958 period was (1953=100):

U.S.A. and Canada	Western Europe	Asia
102	124	145

from the U.S.A. in the form of military and economic "aid".

Britain's position is similar—U.S. annual expenditure on the maintenance of her position as a world power is equal to the total national income of Great Britain. It is true, of course, that Britain is the centre of a powerful Commonwealth; this makes her position stronger as far as the mutual interests (currency and commercial) of the members of the Commonwealth are concerned, but when it comes to Britain's special interests in world politics, the dominions, especially the new ones, do not help her.

The fact that Britain is practically a second-rate world power was clearly demonstrated at the time of the Suez adventure. Britain (despite her alliance with Israel and France), was compelled to stop the war against Egypt as soon as it was condemned by world public opinion and the Soviet Union announced its intention of helping Egypt.¹

U.S. political superiority over all capitalist countries reached its peak in the first post-war years when her competitors had been greatly weakened. As their position improved U.S. superiority lessened but it has, nevertheless, remained to the present day.

The Economist, a prominent British weekly, admitted (November 26, 1960, p. 857) that Britain had become a second-class power. "Britain has displayed the primary characteristics of a second-class power for nearly a genera-

¹ Eden's *Memoirs* create a completely incorrect impression of the events. Eden ignores the conspiracy with Israel and under-rates the significance of the Soviet Union's action in defending Egypt. He accuses the U.S.A. of not fulfilling her duty as an ally. He asserts that the need to put an end to the war arose out of the sharp fall of sterling currency on the money markets of the capitalist world but does not admit that this was due partly to the activities of the influential big bourgeoisie of the world who were able to make a sober appraisal of Britain's hopeless war adventure. Eden will not, or cannot understand that the times are past when Britain was a world power and could play a decisive part in world politics.

tion. Since ... 1941, this country has exhibited to the world its military reliance on a great ally or coalition of powers, its chronic economic vulnerability, and its increasing absence of choice in the major issues of external affairs.

The U.S.A. has made use of its superiority as the leading capitalist world power for the following purposes:

(a) The organisation of the cold war against the socialist camp; the prohibition of the export to those countries; "non-recognition" of the People's Republic of China and its exclusion from U.N., etc. The U.S.A. has frequently compelled her allies to participate in this policy, even to the detriment of their own interests. An excellent illustration of the cold war is the West Berlin issue; West Berlin is today, seventeen years after the end of the war, still under the rule of the Western occupation authorities who want to retain West Berlin as a military spring-board and as a show-case in which to demonstrate the wealth of capitalism. "Look behind West Berlin's prosperity," said the *United States News and World Report* (June 8, 1959, p. 72), "and you find much of it is based on help from the outside. Since the blockade West Germany has given 3,500 million dollars in aid to West Berlin." U.S. aid amounts to 850,000,000 dollars. The population of West Berlin is about 2,000,000 so that this aid comes to more than 2,000 dollars per head. At the same time there were, according to the above source, 75,000 unemployed in the city (the actual number was probably much higher), which as a percentage of the total population would be the same as 7,000,000 unemployed in the U.S.A. Such is the picture of West Berlin's prosperity.

(b) Preparations for a world war against the countries of the socialist world on the pretext of protecting the "free world" against the threat of world communism. The U.S.A. has organised military alliances (NATO, SEATO and CENTO, military alliances with Japan, Spain, etc.); is feverishly arming, not only herself, but all capitalist countries

that are prepared to conform to this policy; has set up her naval and air bases in the countries surrounding the socialist world; has organised espionage flights over the territory of the Soviet Union. The U.S.A.'s main line in military policy envisages the following: the provision of arms for her allies, which is profitable business for the American monopolies producing atomic and other new types of weapons (although it was European and not American scientists who did most towards creating the first atom bomb—Bohr, Fermi, Teller, Szilard and others); land forces, those that would suffer the greatest losses in the war, are to be supplied by the allies of the U.S.A.—Turkey, Japan, Germany, etc.

The Government of the U.S.A. has not grudged the money of its taxpayers to provide armaments for the capitalist countries against the socialist world. At the beginning of 1960 the U.S. State Department first published factual data on military aid to the countries of Western Europe over a period of ten years. They were as follows (million dollars):

France	Italy	Belgium	Holland	Britain	West Germany	Norway	Spain
4,337	1,847	1,103	1,093	972	802	623	315

Turkey, South Korea and Chiang Kai-shek have also received large sums.

The re-establishment of West Germany's military might was an integral part of the U.S. general political line—to arm all those who are prepared to fight against the socialist world. History repeats itself. After the First World War, however, Germany's neighbours put up a lengthy resistance against the re-arming of Germany and created the Little Entente; at that time it was necessary for the U.S.A. and Britain to exert considerable pressure before Germany was allowed to re-arm openly, but after the Second World War, in view of the growing significance of the struggle between the two world systems, the re-establishment of the military might of revanchist West Germany began

much earlier. As early as 1955 the Federal Republic of Germany was accepted into NATO membership.

All the crimes committed by Nazi Germany in Western Europe were forgotten. Despite all the efforts made by the U.S.S.R. and a number of other peaceful countries to maintain peace, all the imperialist countries, headed by the U.S.A., are helping West Germany re-arm. The U.S.A. is providing her with rockets and aircraft. Britain is supplying her with guns that are to serve as a "standard weapon" for British and German tanks, and is co-operating with West Germany in the development of new types of tanks. The Danish Government has organised a joint naval staff for "the defence of the Baltic" with the Bonn Government. France has received orders for the supply of armaments to the Federal Republic to the tune of 1,000 million marks, as was announced by the West German Defence Minister Herr Strauss on February 6, 1960. The Netherlands permits the West German Government to maintain stores of weapons on its territory. In 1960 France gave permission for the Bundeswehr to hold manoeuvres on French territory. Even Israel supplies West Germany with pistols for the army. The arming of West Germany has become the common cause of all opponents of socialism. Adenauer, like Hitler, declares the defence of "western civilisation" to be Germany's "mission". Defence Minister Strauss has made the insolent statement that West Germany's territory is insufficient for the Bundeswehr to develop and the Republic, therefore, needs bases in other countries.

* * *

Today, seventeen years since the Second World War came to an end and the cold war began, it is clearer than ever that the policy intended to establish U.S. world domination has failed.

This policy was based on two main postulates: (1) on the assumption that owing to the U.S. monopoly or supe-

riority in the most up-to-date weapons, a third world war would not be fought on U.S. territory; (2) on the assumption that the dollar is omnipotent and capable of purchasing any country.

Both these assumptions have proved groundless. The tremendous development of science and technology in the Soviet Union has led to the design of intercontinental ballistic missiles capable of pin-pointing any spot on the globe. U.S. superiority in the most up-to-date weapons is a thing of the past. George Kennan was right when he wrote: "Our problem is no longer to prevent people from acquiring the ability to destroy us; it is too late for that. Our problem is to see that they do not have the will or the incentive to do it."¹

This new situation destroyed all the strategic and foreign policy conceptions of the American ruling class.²

American official military experts try to console the people with statements to the effect that the U.S. hydrogen bombs dropped from aircraft have greater destructive power than inter-continental missiles. Chester Bowles gave the right answer to this—if Russian rockets destroy our country what good will it do us if our bombers do still more damage to the Soviet Union!

The new situation is gradually rendering NATO, the chief instrument of U.S. aggression, useless. It is becoming more and more difficult to evolve an agreed policy within NATO itself. France and West Germany demand participation in the leadership of NATO on equal terms with the U.S.A. which would convert NATO from an instrument of U.S. politics into an instrument of the imperialist powers of continental Europe. NATO is suffering from a chronic crisis.

Nor were the hopes placed in the omnipotence of the

¹ George F. Kennan. *Russia, the Atom, and the West*, London, 1958, p. 12.

² This is borne out by all present-day U.S. war and political literature (Kissinger and others, experts' reports to Congress, etc.).

dollar justified. It was not only the socialist countries that refused "aid" under the Marshall Plan. America's West European allies grew economically stronger and began to demand "not aid but trade". But the most important thing of all is that a growing number of non-socialist countries, great and small, is refusing to conform to the American policy of hostility towards the socialist world, is conducting an independent policy and maintaining friendly relations with the U.S.S.R. and other socialist countries. These countries include India, Burma, Ceylon, Iraq, Indonesia, Afghanistan and others in Asia; the United Arab Republic and Ethiopia, Guinea and other countries in Africa; Tunisia and Morocco are striving for the abolition of foreign bases on their territories. The combined population of all these countries is about 1,000 million, or more than a third of the world's population. The peoples of these countries prefer independence to American dollars.

* * *

The problem of the under-developed countries. A very important development in the second stage of the general crisis of capitalism was the beginning of the abolition of the colonial system of imperialism. Before the Second World War the population of the colonies (not including the semi-colonies) was almost 1,000 million. By the middle of 1960 about 100 million still remained—the population of Borneo, the Portuguese colonies in Asia, the British colonies around Arabia, the small remnants of the colonial empires of France and Britain in Central America and the British, French and Portuguese colonies in Africa.

Sovereignty does not always, of course, mean the end of the colonial regime. The Republic of South Africa is a sovereign state but it is the worst form of colony for the 10,000,000 Africans living there.

The colonies are being liberated as a result of the strug-

gle put up by their peoples. The "voluntary" renunciation of their colonies by the imperialists is a myth. Netherlands imperialism ruled over Indonesia for about 400 years and British imperialism ruled India for about 200 years. Why did they not give up their possessions "voluntarily" before this? When the imperialists realised that the colonial peoples would not tolerate their rule any longer, they "voluntarily" gave up political power in order to salvage their economic positions in the colonies.

The struggle of the colonial peoples took on varied forms, from mass peaceful resistance to war conducted by almost regular armies, depending on concrete historical conditions. Everywhere, however, the political struggle was the decisive form because the imperialists were always greatly superior in the military sense, even in Vietnam, where French imperialism suffered an open military defeat. "No one who watched the Communist Vietminh forces march into Hanoi in October 1954 is ever likely to forget it. The victors came in canvas sneakers, trudging through the mud with their ammunition slung on bamboo poles, their signals' wire in tricycles, their dispatch riders on push-bikes. The vanquished went in tanks and armoured cars, half-tracks and trucks, trailing their howitzers and other weapons of conventional war.... In all the eight years of the war they (the Vietminh—E.V.) did not have a single plane. The flights of bombers and fighters that passed over the jungles and rice fields each day were always French," wrote Denis Warner in *The New Republic* (December 14, 1959, p. 10).

The peasants and the proletariat constitute the main force in the struggle for the emancipation of the colonies, but other classes and groups (the comprador bourgeoisie excepted) and African tribal chiefs up to and including even kings (in Morocco, for instance) also take a more or less consistent part in it. In the colonies that achieve political independence the subsequent situation depends primarily on who heads the people's struggle. Wherever the

proletariat headed the struggle (in China and North Vietnam, for instance) political liberation was followed by economic liberation, the abolition of the positions of foreign capital and the remnants of feudalism and the beginning of socialist construction. Where the struggle was led by the ruling classes (as was the case in the majority of the liberated countries) compromise agreements with imperialism were frequently concluded and the remnants of feudalism were not abolished. Political sovereignty, therefore, does not necessarily imply economic independence of imperialism.

An example is India. During the past twelve years of India's independence British investment in that country has not become less but has more than doubled; in 1958 it amounted to 4,300 million rupees or 81 per cent of all foreign investments in India. "The collaboration between the British and Indian business companies has been steadily on the increase, not only in the field of heavy engineering and big machine projects, but also on a lower scale," said *The Times* (December 22, 1959). Despite her political sovereignty, India obviously pays a big annual tribute to British imperialism. There has been no radical agrarian reform in India. The poverty of the peasantry remains. *The Economist* (June 6, 1959) admits that "ninetenths of all rural credit still comes from relations, the money-lender and the landlord".

In Indonesia the positions held by Netherlands capital were, in the main, abolished, but the remnants of feudalism remained. Aidit, the leader of the Indonesian Communist Party, wrote in 1960 that landlords took 50 per cent of the crop and leave the peasants 50 per cent. The Communist Party demands an increase in the share received by the peasants.

Industry is developing at a more or less rapid rate in the countries liberated from the imperialist yoke. The considerable import of machinery by those countries is evidence of this.

IMPORT OF MACHINES
(million dollars)¹

	1938	1951	1957
India	13	142	478
Indonesia	8	24	96
Egypt	15	65	56
Iraq	6	16	57

The significance of these figures must not be overestimated. The purchasing power of the dollar today is less than a half what it was in 1938. All new investments in the under-developed capitalist countries, calculated for the sum per head of the population, are still immeasurably smaller than they are in the highly-developed capitalist countries.

Of all the former colonies, India is undoubtedly the country that is most consistently striving to develop her own industry and her own economy. Nevertheless, all new investments (including housing and municipal services) amount to £4,700 million under the second Five-Year Plan, whereas the internal investments made in Great Britain (whose population is about one-eighth of that of India) amounted to £15,500 million in the 1954-1958 period. Total investments of private capital in the U.S.A. (whose population is a half that of India) amounted to 280,000 million dollars or £100,000 million in the same period. The sum per head of the population invested in the U.S.A. was forty times greater than that of India! Furthermore, part of the new capital invested in the under-developed countries belongs to capitalists of the imperialist countries.

The data adduced are proof that no levelling of the under-developed with the highly-developed countries is

¹ Yearbook of International Trade Statistics, 1950, 1952, 1957 (converted into dollars at the official rate).

taking place. (See the next chapter for the role of the Soviet Union and the socialist countries in developing the industries of the under-developed countries.) The fact that China, who became an independent state several years after India, has far surpassed India in economic development despite India's position at the beginning having been far better than China's—can only be explained by the difference in social systems—no war had been fought on Indian soil, she had a more developed railway system, her rivers were better regulated, etc.

We must also add that it is mainly the "old" branches of industry that are being developed in the under-developed countries on the basis of cheap labour. The newest branches are still the monopoly of the highly-developed countries.

COTTON SPINNING SPINDLES
(millions)¹

	1939	1957
Entire capitalist world	113	102
Highly developed countries (Britain, France, U.S.A., Federal Republic of Germany	70	53
Other countries	43	49

In the four highly-developed countries the number of spindles decreased by 17,000,000; in the other countries there was an increase of 6,000,000 spindles. (The productivity of the spindles had, of course, increased in this period.)

If we examine the way colonies have been liberated from the imperialist yoke in the course of the past fifteen years, we find the following.

Under pressure of the national-liberation movement the imperialists consent to the political liberation of those colonies in which the number of permanent colonialist resi-

¹ Statistical Yearbook, 1958, p. 189 (mule spindles converted to ring spindles using a coefficient of 0.6).

dents is relatively small, the land is mostly in the hands of the native population and there is every possibility of the colonialists retaining their private property after political liberation. An example of this is the Belgian Congo. After serious "disturbances" in the Congo, Belgium was forced to agree to grant the Congo self-government but only on the condition that Belgium's economic position remained intact.

The Congo events show clearly enough that the colonialists do not "voluntarily" renounce colonial super-profits.

To understand what is happening in the Congo it must be remembered that the area of that huge country is almost as great as all Western Europe—2,300,000 sq. km. The Belgians were interested mostly in the mines that brought them in gigantic profits. The chief mining concern, Union Minière de Haut-Katanga held a concession to exploit 34,000 sq. km. in Katanga; this company's net profit, in 1959, after deducting taxes and reserve funds, was ninth in size among enterprises of the capitalist world (the U.S.A. excluded), and amounted to 57,000,000 dollars. This gigantic profit was squeezed out of 24,011 workers—2,400 dollars net profit per worker per annum.

We have no figures on the wages of the Congo miners. There are some general data collected by the International Labour Organisation during an investigation of the country in 1960. The minimum wage of a Congolese was six dollars a month. The minimum monthly salary of a Belgian, engaged in Belgium for work in the Congo, plus accommodation, was about thirty times higher than the wages of the Congolese. But "the majority of Europeans were paid much higher salaries," said the *Neue Zürcher Zeitung* (October 21, 1960). It is obvious that even if the Congolese miners received thirty dollars a month instead of six (which is highly improbable), the rate of exploitation would still be more than 500 per cent. The situation in other mining areas of the Congo is similar.

It may well be understood that neither the Belgian colonialists headed by their king, nor their American and British partners, nor the Pope (a shareholder in the Société Générale, a founder of Union Minière and its present banker) had any intention of giving up such profits.

Katanga also has considerable military significance. It is an important source of cobalt and has deposits of uranium, copper, diamonds and other materials of strategic importance. The imperialists certainly do not want this mineral wealth to fall into the hands of the Congolese. The colonialists, furthermore, own large plantations (cotton, palms) that employ 200,000 wage workers. The Congo shipping, the airlines, banks and foreign trade are all in the hands of the colonialists. Belgian investments in the Congo amounted to 1,500 million dollars. In 1955 the total value of the shares of Congo enterprises stood at 2,000 million dollars on the Brussels stock-market.

Such is the political and economic background of the Congo events.

The colonialists subordinated the country's economy to the interests of the mining magnates. The railways were built to carry the produce of the mines to the ports of neighbouring countries. The following figures are typical of the situation: little Belgium had (in 1957) 1,902 locomotives, 6,600 passenger coaches and 71,000 goods trucks (excluding narrow-gauge rolling stock) and the huge Congolese territory had 464 locomotives, 261 passenger coaches and 9,000 goods trucks. Large areas of the country remained in isolation owing to lack of communications; the colonialists retained the tribal and clan system of society in order to keep the people divided and that in the country where there are huge capitalist enterprises employing some 800,000 wage workers (a large section of which were unemployed in 1959).

The colonialists greatly worsened the conditions of the Congolese. The native population was reduced from 20,000,000 to 14,000,000 in eighty years of Belgian rule.

The colonialists deliberately deprived the Congolese of any opportunity for cultural development. They did not allow Africans to acquire higher educational qualifications. It is unlikely that there are ten Congolese university graduates. There are 594 doctors in the Congo, most of them in the towns, and they served mainly the 90,000 Belgians living in the Congo. Racial discrimination was on as large a scale in the Congo as in the South African Republic. The Congolese, like the Africans living in South Africa, had to carry identification papers when entering the white districts of the towns.

The Belgian colonialists terrorised the people, using the Congolese themselves for the purpose. They built up a powerful army, the Force Publique, of Congolese for use against the Congolese. The army existed for 70 years and was recruited from among Congolese who had to serve for seven years (they could extend their services for a further seven years) under the strictest discipline enforced by Belgian officers. Racial discrimination was rife in the army—there was not a single African officer. The men were not trained to fight against soldiers, but against unarmed civilians; Basil Davidson, writing in the *New Statesman*, July 23, 1960, said they resembled "a gang of thugs"; they hated their highly paid Belgian officers. This army consisted of 23,000 other ranks and 1,006 Belgian officers.

Despite all the efforts of the colonialists to keep the people in ignorance, the liberation movement in the Congo began. There were already 4,000 political prisoners in the country before the Leopoldville uprising in January 1959.

The colonialists decided to get out of their troubles by granting the Congolese sham political independence. The treaty concluded between Belgium and the government of "independent" Congo at the end of June, 1960, provided that Belgium retains her military bases in the Congo, that foreign policy should be conducted with the

aid of the Belgian Foreign Ministry and that the two countries should assist one another. It was also agreed that Belgian officers should remain at their posts (they were to receive additional pay from Belgium) the same as other Belgian officials.

Two factors upset the colonialists' calculations:

(1) Prime Minister Lumumba, elected by Parliament, made it clear that he intended to fulfil the wishes of the people to become really and not formally independent and to liberate the country from the Belgian colonialists;

(2) the revolt of the soldiers of the Force Publique and the complete collapse of that army. The soldiers expected independence to bring changes in their conditions, but on the day of the "independence" celebrations the commander-in-chief of the army, the Belgian General Janssens issued an order saying that nothing would be changed. The troops revolted and dealt with the Belgian officers and their families in the way they had been taught to treat their own people. The machine of suppression fell to pieces.

Further events are known from newspaper reports.

The net result is that the Belgian colonialists have not lost control of Katanga, the richest Congo province, for a single day. Jean Daniel, correspondent of the *Paris Express*, who returned from Katanga at the beginning of August 1960 wrote in the *New Statesman*: "There are three key men in Katanga, who have played a far more crucial role than Tshombe. They are General Geysens, who commands Belgian troops in Katanga, Major Crevecoeur, commander of the Katanga army, and Colonel Weber, so-called 'Military Attaché to the Katanga Prime Minister'. These three men control the police, army, the information services, propaganda, food supplies and public health. In this area, Belgian 'technical assistance' ... has become a subtle form of colonialism." The Belgian colonialists in alliance with American imperialism, and with the aid of U.N. troops, have gradually re-estab-

lished their rule in the country. Lumumba, the legally elected Prime Minister, was brutally murdered by imperialist agents.

The hypocrisy, cynicism and brutality of the colonialists acting under cover of the United Nations, has been exposed to the whole world. Anti-imperialist countries that had been at first deceived by the U.N. decision to send armies to the Congo to abolish the Belgian colonial regime, one after another announced the withdrawal of their troops from the Congo (among them were Ghana, Guinea, Mali, Morocco, Egypt, Indonesia and others).

We may now confidently state that the Congo would today be free from imperialist bondage and internal reaction if not for the help given to the Belgian monopolies and local reactionaries by international imperialism, primarily American imperialism, who, under cover of the United Nations, actually intervened in the Congo for the purpose of preventing the real liberation of the country.

The situation in those countries where climatic conditions are suitable for white settlers is a very difficult one; the Republic of South Africa, the Rhodesias, Nyassaland and Algiers are good examples—Europeans settled in these parts in large numbers and robbed the native population of almost all their fertile land. The following examples show how the Europeans deprived the people of the land that was their main source of subsistence.

Since 1913 the native population of the Republic of South Africa has been forbidden to purchase land outside the reservations. These reservations constitute 25 per cent of the territory of Natal, 7 per cent of Cape Province, 3 per cent of the Transvaal, and 0.5 per cent of the Orange Free State. The growing African population naturally cannot live on such scraps of land. They are compelled to work as labourers on the farms and in the factories

of the colonialists but have no civil rights in their own country.

The situation in the Rhodesias, Tanganyika and Nyassaland is similar. In Southern Rhodesia, of the 97,000,000 acres of land, the 52,000,000 best acres are allotted to 211,000 European colonists and 42,000,000 acres of poor land are left to 2,600,000 Africans. Thus there is an average of 2,500 acres to every European and 16 acres to every African.

In the Republic of South Africa and the Rhodesias, every African outside the reservation must carry an identification card. According to the law adopted in the Federation of Rhodesia and Nyassaland in 1957 on the registration and identification of the native population, any native who, on verification in any district, is found without a certificate, identification card or official permit, is deemed to have broken the law and is liable to three months' imprisonment (article 21). Any native man or woman suspected of contravening the rules provided for in this law can be arrested with or without a warrant (article 25). It should be stressed that this law was passed when the liberation movement of the African peoples was at its height.

The colonialists in these countries want anything but racial equality. Under pretext of "protecting white civilization" they are fighting desperately to retain their lands and the semi-slave labour of the Africans. Although they are capable even of organising a putsch—as can be seen from the example of Algeria where a colonialist putsch was organised against the French Republic—there is no doubt that the struggle in these countries will end with the liberation of the people from the yoke of colonialism. In the Republic of South Africa, the situation became so acute that in April 1960 it developed into a civil war of Whites against Africans. Not only the army and the police took part in the massacres of the native population—white farmers were armed for the struggle. The Africans organised a general strike. South African mining shares began to

drop sharply on the London stock-market. Under these conditions big capitalists in the Republic of South Africa, the mine magnate Oppenheimer, for instance, protested against the policy of the colonialist landowners; they want "normal" conditions for the exploitation of labour, they want "law and order".

No matter how the white colonialists who own land may resist it, the liberation of the still existing colonies in the near future is certain.

CHAPTER V
CAPITALISM TODAY

1. The New World Situation

The first sixty years of the twentieth century constitute the most catastrophic period in the history of capitalist development; it has been a period of the most devastating world wars in history, wars that led to the slaughter of millions and the tremendous destruction of productive forces and material and cultural values. This period was marked by the emergence of the monstrous ideology and policy of the most reactionary forces of imperialism—fascism; it is an ideology that includes disgusting race theories, the complete crushing of bourgeois democracy, the suppression of individuality and the persecution and mass murders of progressive people. Imperialism, its barbarous policy and ideology, were completely exposed to the whole world.

In this period, too, the powerful socialist system took shape, a system that in an historically short span of time has shown its superiority over capitalism. Socialism has demonstrated unparalleled rates of development of the productive forces and of culture; socialism rapidly improved living conditions and has had a tremendous beneficial influence on world history. The emergence and development of the world socialist system led to a further deepening of the general crisis of capitalism, accelerated the collapse of the colonial system and made it possible to prevent a world war and strengthen peace between the peoples.

In the course of the last hundred years, the advocates of capitalism—politicians, economists, philosophers, sociologists, religious leaders, Right-Wing Social-Democrats and renegades from communism—have written thousands of books and hundreds of thousands of articles “proving” that Marxism is without foundation. History has nevertheless followed the path foreseen by Marx. A thousand million people, more than a third of the world population, are building socialism and communism, are demonstrating in practice the correctness of the Marxist doctrine that capitalism is a transient historical phenomenon and not the ultimate, eternal form of the existence of society.

The advocates of capitalism cannot ignore the socialist world. They cannot refute Marxism-Leninism in the old way. They have been compelled to change their position. Today they say that Marxism is the theory of the primitive, under-developed capitalism of the nineteenth century. But capitalism in the twentieth century—in the highly-developed countries, at any rate—is quite a different capitalism; in fact it is not capitalism at all, they say, but something close to socialism. George Kennan, a prominent American diplomat, said that “in the non-communist world . . . the term ‘capitalism’ no longer has any generic and useful meaning. . . . There is today not one social and economic system prevailing outside the communist orbit: there are almost as many such systems as there are countries; *and many of them are closer to what Marx conceived as socialism than they are to the laissez faire capitalism of his day.*”¹

Another of the many examples that could be cited is that of a statement made by one of the leaders of the West-German Social-Democratic Party at the Hamburg Congress of the Socialist International that adopted the new completely bourgeois programme. He said that the

¹ George F. Kennan, “Peaceful Coexistence”, *Foreign Affairs*, January 1960, p. 175 (my italics.—E.V.).

demand to make the political programme of Karl Marx and Frederick Engels the basic principle of the Social-Democratic programme for 1959 was absolutely un-Marxian.

Hugh Gaitskell, the leader of the British Labour Party, said at a meeting of Leeds University students that there are no longer any capitalists. "If people thought there was a capitalist class and a working class they did not know the true position," he said. "In Britain perhaps 99.9 per cent of the people were working either at work or at home. There was virtually no class left that did no work that was capable of working."

There is not sufficient space in this little book to examine the countless variations of the "theory" that capitalism today differs radically from that of the nineteenth century. In the main the arguments of the "theoreticians" boil down to the following:

(a) In the conditions of present-day capitalism the workers of the highly-developed countries become capitalists;

(b) the capitalist is no longer the boss in his own factory. The boss is the director elected by the shareholders (managerial socialism);

(c) the present-day state is the "welfare state" that takes a considerable part of the profits away from the capitalists and spends the money so obtained to improve the living conditions of the working class.

All these assertions are false. It is true, of course, that some American workers hold a couple of shares, they may also own their own houses bought by hire-purchase, they may own a car and good furniture and hold a life-insurance policy. The advocates of capitalism may even calculate the property owned by such a worker as representing 10,000-15,000 dollars "capital". But that still does not make him a capitalist. The capitalist is one who has an income obtained from exploitation and sufficient for him to live without working, or, at any rate, without doing any physical work. But the American worker, even if the so-called capital he owns amounts to 25,000 dollars, still has

to sell his labour power daily to the capitalist and has to suffer exploitation just as he would if he did not have any property at all.

As far as the "power" of the managers is concerned, it is a real swindle. The directors are actually appointed by the biggest capitalists, by those who hold a controlling interest in the given corporation; they, too, can discharge their directors at any moment.

As far as the high taxes levied on the capitalist are concerned, it must be said at once that it is not the capitalist who suffers. It is well known that not only the total net profit left after taxes have been paid, but also the dividends paid to shareholders increase from decade to decade, crises notwithstanding. In the U.S. press one constantly reads that the richest capitalists pay 90 per cent of their income in taxes. This is quite untrue. Taxation increases as incomes rise, but the extra taxes are calculated at each higher level on the basis of the amount of profit in excess of the previous level. A capitalist may sometimes pay 90 per cent of a very small portion of his profit if the total amount is a very big one. *The National City Bank Monthly Letter*, a substantial press organ owned and read by big capital, said (December 1959) that in 1957 taxes levied at more than 50 per cent of profit brought in only 700 million dollars, or 2 per cent of the total revenue from individual income tax, the total amount of which was 35,290 million dollars.

The actual state of affairs is very different from what the advocates of capitalism assert. Present-day capitalism in the industrially developed countries much more closely resembles the society consisting of two classes—bourgeoisie and proletariat—that Marx assumed to exist as the starting point of his analysis, than it does the capitalism actually existing in Marx's lifetime. At that time there were not only capitalists and proletarians but a very numerous peasantry that produced mainly for their own consumption and a large number of handicraftsmen who sold their wares on the local, non-capitalist market; there

were still very considerable remnants of feudalism in existence. Today, as in the last century, factory and office workers constitute the largest section of the population of the highly-developed countries, but the number of peasants and handicraftsmen has been greatly reduced and the remnants of feudalism have been abolished.

There have been no radical changes in capitalist society since the beginning of the twentieth century.

The laws of capitalism have not changed. The concentration of capital by means of its accumulation and centralisation, the relative increase of the constant capital component, the growth of labour productivity and of the rates of exploitation, economic crises, the anarchy of production, competition, etc., have all remained. Nor have class relations in capitalist society changed. In the world, however, there have been substantial changes. There are now twice as many people in the world as there were at the beginning of the century. In the past sixty years the increase in the population is as great as the total population developed in the entire period of man's history. The material productive forces of society have also greatly increased. There has been tremendous progress in science and engineering; the productivity of labour is very much higher. The total volume of capitalist industrial production is about five times as great as at the beginning of the century. Although it would be possible to produce today from twenty to thirty times as much as was produced in 1900 if the fetters of capitalism were removed, there is still hunger, poverty and fear of the morrow in the capitalist world. Paul Hoffman, managing director of the United Nations Special Fund which was set up to help the under-developed countries of the world, said in a speech delivered in July 1959 that "of the 82 nations which were members of the United Nations 60 could be classed as less-developed. More than 1,000 million people lived in these countries and their average income in 1957 had been estimated at 120 dollars". That amounts to 33 cents a day per head of the population.

Actually the working people receive only a half of that income, the other half is appropriated by the landowners, money-lenders, and local and foreign capitalists.

The great difference in the conditions of life in the imperialist and in the under-developed countries is also demonstrated by average longevity—65 years in the imperialist countries and 33 years in, say, India or South America.

The tremendous technical progress and growth of production achieved in the capitalist world as a whole has not spread to the under-developed countries, especially to their agriculture, the decisive branch of economy in those countries; this is the cause of the poverty of their population. India is a good example. The census taken in 1956 produced the following figures:

Wooden ploughs	37,000,000
Steel ploughs	2,000,000
Tractors	18,000

Farming technique is at an even lower level in other under-developed countries. The overall result is that in the capitalist world as a whole the increase in the output of food per head of population is very small.

AVERAGE ANNUAL OUTPUT OF THE CAPITALIST WORLD
(Total crop—million tons)

	1909-1913	1954-1956
Wheat	103	120
Rice	78	123
Rye	45	9
Maize	104	146
Potatoes	54	61

These figures are summarised from U.N. publications and are very inaccurate; the error may be as high as 20 per cent. In 1910 the population of the capitalist world

was about 1,600 million and in 1956 it exceeded 1,800 million. The output of all grain crops increased in that period from 330 million tons to 398 million tons, a very insignificant increase, especially when we bear in mind that the increase took place mainly in the wealthy countries (U.S.A., Canada, Australia) and was mostly in the output of maize, used primarily as cattle feed.

Hunger and poverty, however, are not confined to the under-developed countries. In the United States of America, the capitalist "paradise", there were, according to official figures for 1957, a total of 7,512,000 families and independent individuals whose total income amounted to 8,400 million dollars, i.e., 1,120 dollars per family per annum. The "commonly accepted standard of living" budget of the Heller Committee called for a minimum annual income of 4,000 dollars. The cost of living and of public utilities being as high as it is, millions of people must be badly undernourished. Millions of unemployed whose doles have run out find themselves in a similar position. *Labour's Economic Review*, organ of the American Trade Union Centre (one of the chief anti-communist centres in the U.S.A.) wrote in November 1959: "Throughout America, slum and distressed urban and rural areas continue their cancerous growth. . . . Despite our much publicised affluent society at least 20 per cent of all Americans still remain in degrading poverty."

Mrs. T. R. Fulton, an official of the city Social Security Office in Morgantown, stated the following at a hearing of the Senate subcommittee on the condition of the unemployed in her city: "I have been in these homes, and these are the things I see: people living in houses without heat, houses without roofs, houses without utilities. I see children going to school without shoes and without warm clothing. I see houses and homes where children have nothing to eat except surplus commodities and the canned goods which their parents put up in summer that they got from the fields and the bushes.

"This is as bad as I saw in 1932 and 1934 in Baltimore. This is the first time I have actually seen children without shoes in the snow. It is worse."¹

In the land of the "economic miracle", in West Germany, the situation, according to the *British Guardian* (December 28, 1959), was even worse: "Düsseldorf's worst slum is an incredible warren of disused hutments, bodies of broken-down lorries and omnibuses turned into homes, and makeshift 'houses' created out of corrugated iron, asbestos gauze and cardboard. . . . Every space between the 'houses' is filled with garbage heaps. . . . I found three women living in an area five feet wide and less than eleven feet long. . . . The room was damp, windowless and very cold. Its occupants have spent the last three years there. One of them is a 19-year-old girl who is paralysed from the waist down. Rain leaks through the cardboarded corner of the 'room' on to her bed. . . .

"Fifty thousand homeless people in the administrative district of Düsseldorf. Their number is growing (Essen, for instance, had 3,900 homeless in 1950 and has over 12,000 today)."

And how many families that experience hunger, and live in poverty are there in such countries as Italy (especially in the southern parts), Spain, etc. Even today there are whole continents with over-populated rural areas.² We may safely say that about 1,500 million people in the capitalist world live in poverty; of these a large number are Negroes living in the southern states of the U.S.A., the African population of South Africa, the Rhodesias, Kenya, etc., who are in a state of semi-slavery. The world is still a place of need, hunger and misfortune for the majority of the have-nots, said *The Times* (October 7, 1959). The rate of exploitation is very high. The working week in the industrial

¹ *Political Affairs*, April 1960, p. 9.

² In Brazil and Chile about 2 per cent of the population own a half the total land area, said *The Times*, July 25, 1959.

countries has been reduced, but labour has been intensified and the work performed is more monotonous and tiring.

Fear of the morrow darkens the lives of the working people in the capitalist countries—fear of unemployment,¹ fear of the capitalist, the landlord, the tax-collector; fear of the policeman, the gendarme, the bourgeois court and, more than anything else, fear of war.

Then why is it that despite the tremendous growth in production capacities and in production, the majority of the population of the capitalist world still lives in poverty? The main reason is to be found in the capitalist system itself, in the nature of the mode of production based on exploitation and in the antagonistic mode of distribution arising therefrom. Concretely this occurs as follows.

About 20 per cent of the labour force is engaged directly or indirectly in war production, turning out articles that are useless to the people.

Due to the ever-growing organic composition of capital a considerably greater part of the working time of society is now employed to produce means of production (capital goods), especially the means of war production, that bring in fabulous profits for the monopolies, profits immeasurably greater than those obtained from the production of articles of consumption. In the U.S.A., for instance, the production index compiled by the Federal Reserve Bank (1947-1949=100) shows the following figures:

Year	Production of articles of long-term use	Production of articles of short-term use
1919	38	37
1957	160	130

¹ James Mitchell, former U.S. Secretary of Labour, said that an unemployment figure of three million is the practical minimum in an unregimented peace-time economy. (*First National City Bank Monthly Letter*, November 1959, p. 123). The British bourgeois journal, *The Economist*, continuously reiterates that there must always be about a million unemployed in Britain.

In 1919 Department I (production of the means of production) and Department II (production of articles of consumption) of capitalist production were still about equal, but in 1957 Department I was greatly in excess of Department II.¹ (At the beginning of the century Department II was probably greater than Department I.)

The concentration of wealth and income in the hands of the propertied classes has led to a greater part of production being devoted to luxury articles than before.

The proportion of workers directly engaged in production has decreased. In some industrial countries it is less than a half of those gainfully employed. It is the number of employed persons who do not produce new values that has actually increased. To this category belong the army, navy and police forces, the government administrative machine, bank employees, and those engaged in trading and the various services. In the U.S.A., at the beginning of 1959, there were 29,000,000 persons employed in agriculture, industry, building and transport, which is only 40 per cent of the total labour force.

In each production cycle, capacities are used only by about fifty per cent of the possible total. A considerable area of fertile land in the non-European countries is not tilled. The government of the U.S.A. withdrew from cultivation through the soil bank 28,000,000 acres of fertile land, and paid farmers thousands of millions of dollars not to till it. On February 9, 1960, Eisenhower, the then U.S. President, proposed increasing the conservation reserve in the soil bank to 60,000,000 acres. "Surplus" farm produce to the value of 9,000 million dollars was withdrawn from

¹ The division of production into "articles of long-term and short-term use" does not coincide exactly with the Marxist division in Department I and Department II. Private cars, TV sets, radio sets and many other commodities are articles of "long-term use" although they are actually articles of consumption. On the other hand there are some articles of "short-term use" that serve as means of production.

the market. Farm produce is frequently deliberately destroyed.

Labour productivity in the under-developed countries is still very low on account of the archaic methods of production, especially in agriculture.

These are the basic "concrete" reasons for the majority of the population of the capitalist world living in poverty. Capitalism cannot exist without the poverty of the working people.

All that has been said is evidence of the extent to which decay has set in in capitalism and shows that the material prerequisites for socialism and communism have already matured within the capitalist system.

Although the internal dynamics of bourgeois society have remained the same, the position of capitalism today differs greatly from that at the beginning of the century. The most important changes are these.

Alongside the decaying capitalist world there exists the developing socialist world that contains more than a third of the world population. In the capitalist world there are not only colonies, semi-colonies and dependencies existing alongside the imperialist powers as there were at the beginning of the century, there is also a growing number of sovereign states hostile to imperialism and maintaining friendly relations with the socialist world.

The preservation of the capitalist system and the struggle against communism have become the keynote in the politics and ideology of the imperialists. In its struggle against the masses, monopoly capital depends on the power of the state and military machine that has increased monstrously and acquired particularly reactionary features. All the forces of reaction are being mobilised for the struggle against the Communists and the ideology of communism, against the socialist world as a whole. The machinery of suppression persecutes the Communists. In West Germany, Spain, Greece and a number of other countries, the Communist Party is prohibited. The U.S. ruling circles are trying

to force the Communist Party to register itself as a subversive organisation. Not only Communists, but all progressive people are persecuted. Every one who opposes the monopolies or the landlords is called a "Communist". At the same time, the pressure brought to bear on monopoly capital by the masses has compelled the monopolies to reduce the working day and grant paid holidays and to introduce social security through government action. Monopoly capital in the big imperialist powers makes persistent efforts—successful in many cases—to spread its anti-revolutionary ideology among the proletariat and for this purpose maintains the working-class aristocracy and especially a working-class bureaucracy as its main support among the working class.

One of the most important weapons used by monopoly capital in its struggle against communism is the church, especially the Catholic Church. Christianity, that had its inception as the religion of the poor people and the slaves has become the mainstay of monopoly capital. The Catholic Church, with its gigantic machine of missionaries, bishops, priests, jesuits and centuries of tradition, is conducting a struggle against communism throughout the world. This struggle is becoming a more and more open one. The *New York Times* (April 15, 1959), wrote that "Pope John XXIII forbade Roman Catholics throughout the world today to vote for candidates or parties that supported or gave comfort to Communists.

"The ban is the first by the Vatican against any candidate or party. The prohibition is absolute. It applies even to pro-communist candidates and parties that . . . attribute to themselves the qualifications of Catholics. . . .

"This was the first major policy decision of Pope John XXIII in regard to communism. By this he showed himself no less inflexible towards communism than his predecessor, Pius XII." The Archbishop of Boston, Cardinal Cushing, said that inviting the Soviet leader to visit America was "like opening our frontiers to an enemy in

a military war". No wonder catholicism is so widespread among the big bourgeoisie of America. John Kennedy was the first Catholic ever to be elected President of the U.S.A.

The openly reactionary policy of the Vatican is obviously contrary to the class interests of the workers and peasants, and it is doing harm to the prestige of the Vatican among the masses. This explains the bankruptcy of the Catholic party in France, the defeat of the Catholic party in Sicily where a million Catholics voted contrary to the instructions of the Vatican; it also explains the weakening of Adenauer's party.

In its struggle against the working people, monopoly capital uses the Right Social-Democratic leaders, who split the working class, weaken the working-class movement and try to subordinate that movement to the interests of the bourgeoisie. The Social-Democratic parties are still a strong force. On the eve of the Congress of the Socialist International in Hamburg, July 1959, the Social-Democratic parties throughout the world had about 11,000,000 members and commanded about 60,000,000 votes. Under the leadership of the Right-Wing, Social-Democratic policy is moving farther and farther away from Marxism and socialism. In their new programmes the Right-Wing Social-Democrats have not only rejected the "final aim", the struggle for socialism, and the class struggle, they have even rejected bourgeois nationalisation of the means of production. "The ancient enemy, capitalist exploitation, was accorded little more than perfunctory mention," wrote *The Times* (July 20, 1959) about the Hamburg Congress. The main line of policy that ran through the entire Congress was the struggle against communism and the defence of the anti-Soviet policy of imperialism. Even Aneurin Bevan, who submitted for the discussion of the Congress a plan to help the Arab countries, motivated it by saying that it would be a real defence against the spread of communism in the Middle East.

There was a Congress resolution demanding the "liberation of the peoples of Eastern Europe" in complete accordance with the instructions of American imperialism. The Right Social-Democrats who had been driven out of the People's Democracies in Europe, met separately in Hamburg and in their resolution demanded that private property in land must be restored and guaranteed. . . . The small and medium branches of industry and retail trade . . . must be left in the hands of private enterprise. In short, they demanded the restoration of capitalism.

The anti-communist position of the American trade union leaders who play the role of Right Social-Democrats in American politics, is well enough known. They spend huge sums—the money of the American workers—every year in the struggle against the communist movement throughout the world. Their official statements do not in any way differ from those of the late John Foster Dulles. A resolution adopted by the AFL-CIO unity convention said: "The present struggle between the communist dictatorship and the free world is . . . between two conflicting ways of life—democracy . . . and communist totalitarianism with its all-embracing programme of world conquest and transformation."¹

The Right-Wing leaders of some Social-Democratic parties have merged so completely with the bourgeoisie (some of them come from big bourgeois families—Attlee, Cripps, Guy Mollet, Gaitskell) that the bourgeoisie confidently entrusts the government to them. How faithfully Right-Wing Social-Democratic leaders serve the big bourgeoisie may be judged from the extensive popularisation in Great Britain of Ernest Bevin as an outstanding statesman. It is interesting to note that the war conducted by France against Vietnam was started by the socialist Prime Minister Blum and the war against Algeria by the socialist Prime Minister Guy Mollet; it was the latter, who,

¹ *American Federationist*, December 1958, p. 31.

together with Eden, decided to launch the war against Egypt in 1956. The Swedish Social-Democrats have for over a quarter of a century, alone or in a coalition with other parties, governed the country without any loss to Swedish monopoly capital.

Despite the great political refinement of the reformist leaders, they are becoming less and less able to reconcile the workers to the capitalist system. In France the Socialist Party has become an almost purely petty-bourgeois party, in respect of its policy, its membership and the electors who vote for it. In Britain it is becoming more and more difficult to reconcile the policies of the Left and Right wings of the Labour Party.

There is no need to demonstrate that the struggle against communism has become the key-note of the foreign policy of imperialism. The existence of NATO and other military blocs, the establishment of military bases round the socialist world, the military aid granted by the U.S.A. to all reactionary states and the production of ever more destructive weapons of war are sufficient evidence.

The Right Social-Democratic leaders approve this policy. Paul Henri Spaak, former Secretary General of NATO, wrote in the same manner as the most reactionary politician could have written: "...If balanced disarmament cannot be achieved, a balance of terror is better than no balance at all."¹

George Brown, Defence Secretary in the Labour Party's Shadow Cabinet² said: "Far from leading us into war, NATO has, in fact, been probably the most potent force in maintaining freedom from further aggression in Europe."

The struggle against the socialist countries has its effect on the struggle between the imperialist countries.

¹ *Foreign Affairs*, April 1959, p. 363.

² *Shadow Cabinet*—the group of Labour members of the British Parliament earmarked for the Cabinet in the event of the Party's victory at elections.

The internal laws of imperialism still make for war. Since the Second World War there have already been more than a dozen "little wars" (Korea, Vietnam, Suez, Algeria, etc.). It is, however, no longer easy for the imperialist powers to start another world war. In our days there are forces that can prevent the outbreak of a world war. The most important of these is the powerful socialist world system that is able to counteract the plans of the war-mongers. The sharpening of contradictions between the Great Powers to such an extent that they would lead to war is prevented by anxiety over the preservation of the capitalist system and their fear of the growing strength of the socialist world. Although the penetration of American capital into Britain and her dominions and the entire economic policy of the U.S.A. encroach on British interests, although Britain does not approve of U.S. policy in respect of China and the Common Market and does not approve of French policy in respect of Algeria, she nevertheless co-ordinates her foreign policy with that of those countries and of West Germany. French and West-German monopolists, in conformity with their reactionary home policy, are closely collaborating in the sphere of economy and foreign policy. Although the unparalleled atrocities of the Nazis during the Second World War are still fresh in the minds of the European peoples, although they have not forgotten the slaughter of millions of innocent people in all European countries, the ruling classes of the imperialist states, blinded by their hatred of the socialist countries, are arming imperialist West Germany in the same way as they did after the First World War. Although the vast majority of the people of the capitalist countries want peace, although the Soviet Government's proposals on general and complete disarmament, proclaimed by Soviet Prime Minister N. S. Khrushchov in his speech at the U.N. General Assembly, have met with the approval of the people in all countries of the world, monopolists interested in war orders and other reaction-

aries, especially the military, refuse to stop the arms race or to renounce the cold war. They are spreading the idea of "peace without disarmament".

It would, however, be incorrect to assume that capitalism could not exist at its present stage of development without these war orders. In this respect a statement made in the *Morgan Guarantee Trust Company Survey* (November 1959) is of considerable interest. This financial organ said that the most probable prospect for disarmament, the curtailment and gradual reduction of arms, should not give rise to fears for its economic consequences; on the contrary if any substantial degree of disarmament could be achieved that conforms to the interests of national security there would be a promise of its being of considerable and lengthy economic advantage.

There are, however, many big, influential monopolies, especially in the U.S.A., that do not want to renounce the huge profits so easily obtained from the supply of arms. It is interesting to note that every time the Soviet Union makes disarmament proposals or suggests the adoption of measures to prevent war, prices on the New York stock-market invariably drop. The struggle between the forces of war and the forces of peace will continue for a long time, until the forces of peace eventually win. The material interests of many monopolies, the propaganda being spread by the bourgeois press and reactionary trade union leaders that the curtailment of the arms industry in the event of disarmament would cause constant mass unemployment, the hatred of communism preached daily by the press, including liberal, religious and even certain working-class papers, the constant repetition of the assertion that "the Communists are not to be believed", etc., all serve to make the struggle for peaceful coexistence more difficult, although growing numbers of people, especially the intelligentsia of the capitalist countries, realise that a third world war under modern conditions would be a catastrophe.

The struggle for influence in the under-developed countries. At the beginning of the twentieth century the imperialist powers pursued wars to extend their colonial possessions. The First World War was fought for the re-division of the colonies. Today only a small part of the former huge colonial possessions remains.

This radical change confronts imperialism with new economic and political problems, problems that did not exist at the beginning of the century and which are becoming more and more intertwined with the struggle between capitalism and socialism. The political problems of imperialism are much more intricate than its economic problems.

When we examine the economic position of imperialism as a whole, or even of individual countries such as Britain, France or Holland, we find that so far they have not suffered very much from the liberation of their colonies. Take Holland, for instance; for 400 years Holland had at her disposal more colonial slaves (relative to her own population) than any other country. The *Economist* once said that Indonesia was the cork that kept Holland afloat. Nevertheless Dutch economy has so far managed to survive the loss of Indonesia. Holland's industrial production index rose by 42 per cent between 1953 and November 1959. In 1952, a total of 45,000 new dwelling houses was built and in 1958 the number was 89,000. The exchange rate of Dutch currency relative to the dollar has not changed since 1949. The country's exports increased from 8,000 million guilders in 1952 to 12,200 million guilders in 1958. Prices of industrial shares increased from 100 in 1953 to 255 in December 1959. Holland, of course, has her economic troubles but they do not differ from those of other capitalist countries that had no colonies or have not lost those they had.

The main reasons for the imperialist countries not having so far suffered very much from the loss of their colonies are the following:

(1) A considerable increase in the additional product obtained by capital from the exploitation of the proletariat of its own country; this is the result of more rapid growth of output due to technical progress in the post-war years and the almost unchanging working day. (We shall return to this question later.)

(2) The political liberation of a colony does not mean the elimination of the colonial nature of its economy. Only those countries that took the path of socialism are rapidly changing the colonial nature of their economy. Although the former colonies have undergone a certain industrial development, the economic gap between the industrially developed imperialist countries and the under-developed bourgeois countries still remains. The industrial production index for the capitalist world, compiled by the U.N., shows the following relations between certain parts of the world.¹

THE SHARE OF SOME PARTS OF THE WORLD
IN INDUSTRIAL PRODUCTION IN 1953
(% %)

	Manufacturing industries as a whole	Metal-working industries
North America	57.6	64.0
Western Europe	32.0	30.8
Other capitalist countries . .	10.4	5.2

To this must be added that a considerable part of the industrial enterprises in the under-developed countries—both the old and the newly-built enterprises—belong to foreign capitalists.²

¹ Statistical Yearbook, United Nations, 1958, pp. 93, 99.

² U.S. monopoly capital acquires huge profits even from such a relatively rich country as Australia. *The New Republic*, in its issue of July 13, 1959, said: "A second storm has broken out, this time in Australia, with the publication of the accounts of General Motors-Holden's Ltd. From an original post-war investment in Australia of

Despite this there is a difference in matters of principle between the present and the pre-war relations of the under-developed and the imperialist countries. Before the war the imperialists held a monopoly in the supply of means of production, capital and credits to the under-developed countries and also in the purchase of their raw materials and in the supply of armaments.

Today this monopoly no longer exists. The Soviet Union and the other socialist countries supply the under-developed countries with any capital goods, give them credits on better terms than the imperialist countries, give them disinterested technical assistance and buy their raw materials.

The under-developed countries today have an opportunity to decide their own policies. The imperialists are greatly worried by the growing political solidarity between the countries of Asia and Africa that has been manifested at the conferences in Bandung, Accra, etc. Before much longer the United Nations will cease to be an organisation in which the imperialist powers can behave as though it were their own house, and use the mechanical majority in their own interests. A growing number of under-developed countries are co-operating with the socialist countries and taking advantage of the assistance they offer.

The countries liberated from colonialism have the choice of two paths of development—the capitalist and the socialist paths.

only 4,000,000 dollars the parent company in Detroit will receive this year more than 16,000,000 dollars, while the profit of 34,000,000 dollars, equalling a rate of 874 per cent on ordinary capital, is the highest ever earned by any company in Australia. Of this cornucopia, Australians, who hold only 6 per cent preference stock, will receive 39,000 dollars."

It is not only individual companies, but the entire exported capital that brings in high profits. According to Bank of England accounts for 1957, shares in foreign companies with a nominal value of £466,000,000 produced £65,000,000 in dividends, i.e., 14 per cent. A considerable part of profit made in excess of this figure went into reserve funds.

The question of the path that will be followed by the under-developed countries of Latin America, the former colonies of Asia that have already become sovereign states and the countries of Africa that are now being liberated from the political power of the imperialists—together they contain the greater part of the world's population—has become one of the most important questions in the struggle between the two world systems. Bourgeois politicians are mortally afraid of the prospect of these countries being on the side of the Soviet Union and the other socialist countries in the peaceful economic competition. The imperialists are doing everything in their power to prevent such a development. With this purpose in view American imperialism is making use of reactionary ruling circles in the colonies and dependencies, has occupied South Korea, Taiwan, and South Vietnam, is granting military "aid" (Pakistan and several other countries are good examples) and conducts a noisy propaganda campaign about economic "aid" for under-developed countries.

Irrespective of the verbal assurances of politicians and the strenuous advertising of plans for "aid", the laws of capitalist development lead to a growing economic exploitation of the under-developed countries by the monopoly capital of the imperialist countries.

The existence of the socialist countries and the constantly growing measure of aid they are affording the under-developed countries are, however, gradually reducing this line of development to nought.

The imperialist countries sell the under-developed countries manufactured goods at high monopoly prices. The monopolies have become so powerful that even in times of over-production crises they either do not reduce their prices at all or they reduce them very slightly. The under-developed countries are still mainly suppliers of raw materials and foodstuffs at "free" prices; the monopolies that purchase these commodities often dictate low prices. The relation of prices of the goods sold by the imperialist

countries to the under-developed countries and of those purchased from the under-developed countries has considerably changed during the past decade in favour of the imperialist countries. This is one of the reasons why the economy of the imperialist countries has suffered so little from the loss of political power over the colonies.

The U.N. Monthly Bulletin of Statistics (February 1961) shows the fluctuations of prices on the world capitalist market (1953=100):

	Prices of raw materials	Prices of manufac- tured goods
1952	104	104
1958	96	106
1959	94	106
1960 (third quarter)	93	109

Since 1952 (we have not taken 1951 because the war in Korea led to high prices for raw materials) the relation of prices has worsened by 12 per cent, the under-developed countries being the losers. In this way the monopolies of the imperialist countries got annually in recent years over 1,000 million dollars (in addition to their usual profits) from the under-developed countries.

This is not a chance phenomenon. Technical progress in the highly-developed countries has led to the substitution of man-made materials such as synthetic rubber, artificial silk, synthetic fibres, plastics, artificial diamonds for the raw materials marketed by the under-developed countries; another reason is the introduction of new technological processes that have reduced the quantities of raw materials, for instance, non-ferrous metals, required. The conversion of farming in the highly-developed countries into a mechanised industry (on this question see below) has reduced the demand for farm produce from the under-developed countries. There is, therefore, no reason to suppose that the price levels will change in

favour of the under-developed countries or that their exploitation by the monopolies through foreign trade will become less.

The only way for the under-developed countries to become economically independent of the imperialist countries and rid themselves of exploitation is to develop the productive forces, and abolish the remnants of feudalism by means of agrarian reforms and industrialisation. Although a great deal is said about "aid" for the under-developed countries by the imperialists, the very nature of imperialism is a hindrance to any such help.

Monopoly capital as a whole cannot consent to the industrialisation of the under-developed countries because it would deprive the monopolies of the huge profits obtained by the sale of commodities to the under-developed countries at monopoly prices. Monopoly capital as a whole is against the imperialist states granting the backward countries the means for their really independent economic development. The International Economic Policy Association, an influential American organisation, stated that the United States should help other countries develop only their transport, ports, hospitals and schools; the development of industry should be left to private capital.

As far as the private enterprises of foreign capitalists in the under-developed countries are concerned, their owners are least of all interested in sacrificing their profits for the sake of "helping" the under-developed countries. Since there is a risk of nationalisation in the future, foreign capitalists build factories in the under-developed countries only when they promise quick profits that are higher than those obtainable in the developed capitalist countries. Total investments of U.S. private capital (so-called long-term direct investments) in 1957 amounted to 25,000 million dollars; of these 17,000 million were invested in countries on the American continent, 4,000 million in Western Europe, 800 million in Australia and Japan and only 3,200 million dollars in all the under-developed

countries of Asia and Africa, and this mainly in the oil fields of the Middle East. It will be understood, of course, that the building of factories by foreign capital not only develops the productive forces of the under-developed countries, it also implies the exploitation of those countries by means of the export of profits.

There are laws in capitalist countries prohibiting anybody but the state from granting loans to the under-developed countries at low rates of interest. Such loans must bring in higher interest than they would in the lender's own country.

We may see from the example of the 25,000,000 dollar loan granted to Austria (although Austria cannot be called an under-developed country in the usual meaning of that term) at the end of 1958 for nine and a half years what the American capitalists understand by "aid". The loan was floated at 5.5 per cent, but was sold on the New York stock market at 96. The banks, furthermore, took 3 per cent for themselves by way of brokerage plus their "expenses". Thus the Austrian Government received 23,100,000 dollars instead of 25,000,000 and the actual interest amounted to 6.75% per annum.

One may well imagine what the American capitalists make out of countries less developed than Austria.

In short, the objective laws of capitalism alone are such that the imperialist countries must continue to become richer and the under-developed countries poorer. Such a course of development is fraught with considerable political danger for the imperialists. Clear-thinking, far-sighted advocates of capitalism realise this. Adlai Stevenson, for example, wrote in the *New York Times Magazine*: "... Soviet economic-political penetration is formidable and succeeding. ... Evidently the reality of our peril is the most difficult thing for us to accept. ... The rich notions are getting richer while the poor are getting poorer. This is a disaster for us, the rich, which the Russians are making the most of on a world scale. As a poor

nation that has pulled itself up by its own bootstraps, as it were, Russia has a great attraction to other poor nations who are natively suspicious of the West, or have been disaffected by our military bargaining and self-righteous moralising."¹ Thomas Balogh, a prominent British economist, writing in the *New Statesman* (December 12, 1959), said: "The inequality between rich and poor countries is actually increasing. . . . According to the U.N. *World Economic Survey* for 1958, the poor primary-producing areas lost more as a result of the deterioration of their terms of trade than the whole of their foreign aid. . . . In a world which is rent between the Soviet and the non-Soviet blocs, it is foolhardy to tolerate an increasing division of the latter between rich and poor areas. Worse still, politically, is the fact that most of the areas which are rich are white and those which are poor are non-white. If we fail to deal with this poverty, the existing power equilibrium in non-communist areas might alter seriously against us. This is the main danger to peace that economics now present."

It is one thing to see a danger and another to eliminate it. Capitalism is not able to close the gulf between the handful of rich imperialist countries and the poor under-developed countries. Not all the insistent propaganda about "help" for the under-developed countries can change that fact.

Only the Soviet Union and the other socialist countries, whose laws of social development differ radically from those of capitalism, and who are interested in the industrialisation and economic progress of the under-developed countries, only they can render and are rendering effective material and financial help to them and are passing on experience of how best to utilise the resources of the countries concerned; such help will continue on an even greater scale in the future.

The peoples of the under-developed countries believe

¹ *New York Times Magazine*, March 1, 1959, pp. 9, 65 (my italics.—Y. V.).

in the effectiveness of aid from the socialist countries because they can see that the Soviet Union, without the aid of the imperialists, had risen from a state similar to that of their own under-developed countries and become the world's second industrial power (and will shortly become the first) in an extremely short time. They do not believe the propaganda about capitalist help because they see that the foreign capitalists are still growing richer at their expense and to their detriment, because they remember that when the socialist camp did not exist the colonialists did nothing to help them.

2. Important Economic Changes in Capitalist Society

The capitalist society of our day is the same imperialism as it was at the beginning of the twentieth century—the inherent laws in the system remain unchanged. Nevertheless many changes have taken place; in part the action of the internal economic laws has converted quantitative changes into qualitative and in part, new phenomena have emerged. These changes have taken place mainly in the highly-developed capitalist countries; in the under-developed bourgeois countries there has been little change in the economic situation throughout the twentieth century despite political emancipation from the yoke of the imperialists.

We shall now attempt to analyse the most important of these economic changes, which are, of course, closely connected with the struggle between the two systems and are the basis of certain social changes that have taken place in the imperialist countries.

* * *

Under capitalist conditions today the concentration of production capacities and capital in the hands of the monopolies and especially the opportunities available to the financial oligarchy to use the capital of others are

immeasurably greater than they were at the beginning of the century. The monopolies and the financial magnates have become much more powerful.

A factory employing a thousand workers was considered a big enterprise at the beginning of the century. Such a factory is regarded as medium-sized today. A big capitalist enterprise today is one that employs from 10,000 to 20,000 workers, engineers, clerks, etc.

At the beginning of the century a firm with assets to the amount of 100 million dollars was a big undertaking. Today the Standard Oil group has assets amounting to 10,000 million dollars, the American Telephone and Telegraph Company has assets worth 8,000 million dollars. Royal Dutch Shell, United States Steel and several others have assets running into thousands of millions.

At the beginning of the century the monopolies were already a decisive force in the imperialist countries, but they were far from being the powerful concerns they are today when, for instance, three companies control the U.S. market for aluminium or motor vehicles.

At the beginning of the century the financial magnates were much weaker than they are today. In his *Imperialism, the Highest Stage of Capitalism*, Lenin wrote that Rockefeller and Morgan had control of capital to the amount of 11,000 million marks, or 2,500 million dollars. In his book, *The Empire of High Finance*, Victor Perlo estimates their sphere of control at 126,000 million dollars. Even if we make allowance for the depreciation of the dollar their sphere of influence is 20-25 times greater than at the beginning of the century. Financiers today act more behind the scenes than they formerly did. The real magnates of a monopoly are often hidden behind the signboard of finance companies and affiliated companies.

All this has resulted in the contradiction between the social character of production and the private capitalist form of appropriation having become more acute than at the beginning of the century.

Such huge quantitative changes were bound to lead to qualitative, structural modifications. The concentration of production facilitated the introduction of new techniques. The introduction of new techniques required, in turn, the further concentration of production in giant factories. The full development of state monopoly capitalism took place on the basis of this mighty concentration of capital and production. The financial oligarchy now employs much more complicated ways and means to make use of the capital of society as a whole, including the savings of the people, for their own enrichment. The relations between banks and industrialists have changed. The burden of the crises of over-production was now distributed in society in a different way.

But the tremendous enrichment of the bourgeoisie, the greater power of the monopolies and the full development of state monopoly capitalism did not check the historic process of the break-up of capitalism, did not create—as they did after the First World War—a temporary stabilisation of capitalism and did not strengthen capitalist economy. Evidence of this is to be seen in the militarisation of the economy in the imperialist countries, inflation, the fragmentation of the capitalist world market, the chronic agrarian crisis, the acute class struggle and the general process of the weakening of imperialism and, parallel to it, the strengthening of the world socialist system.

Let us look more closely at these changes.

Production techniques today are fundamentally different from those in use at the beginning of the century. In those days the chief form of energy in industry and transport was provided by the steam engine, just as it had been in Marx's days. Today, however, internal combustion engines, electricity and atomic energy are in common use. Formerly, machines were individual units each run by one worker and productivity depended primarily on his skill. This was the reason for the introduction of the Tay-

lor, Gilbreth and other sweating systems that studied the times and motions of men at work and determined the maximum time (often in tenths of a second) for each movement and for setting up a complicated wages system calculated to compel all workers to turn out as much as the "best", most productive workers.

Today individual machines have been replaced by complicated systems of machines connected by the conveyor belt system of production. The speed at which the work is done is dictated by the machine and the worker has to keep pace with it. The capitalists, therefore, have abandoned Taylorism for a more perfect system of sweating the workers that is based on modern machinery and techniques, on the mechanisation and automation of production. This makes piece rates unnecessary as a form of wages. *The Economist* (January 2, 1960), speaking of the wage system at Vauxhall Motors (Great Britain) says: "... All work at Vauxhall is done on time rates. The firm decided in 1956 that payment by results was no longer an effective incentive in a mechanised industry where the machines and not the men were setting the pace. Bonus earnings were therefore consolidated, as they have often been in America, into a general time rate.... The results are claimed to have been almost wholly to the good. Productivity does not appear to have fallen off at times of peak demand."

Fully automated factories are becoming commoner; in these factories the workers do no physical work but merely look after the machines, make adjustments and do minor repairs. Electronics are being more and more widely used to regulate the work of the automated factory from the office.

The new equipment is very expensive. It requires the investment of large sums and the organisation of production on a large scale. It is more than a small or even a medium-sized factory can afford. The superiority of big over small enterprises has become more strongly felt. At

the beginning of the century, when banks of identical machines were working (textile machinery, metal- and woodworking machine tools), production costs per unit of the commodity were little higher at a factory with fifty machines than they were at a factory of the same type with a 1,000 machines. Today a small factory working with old machinery cannot long exist in competition with a big enterprise working in the same field and employing modern techniques. The new production techniques are strengthening the domination of the monopolies in present-day capitalist economy.

There have been radical changes in agriculture in the highly-developed capitalist countries. At the beginning of the century Lenin established the fact that agriculture was still at the non-machine stage of development. Today farming in the highly-developed countries is carried on with the aid of machines. The conversion of farming into a machine industry has increased the amount of capital invested.

VALUE OF FARM PROPERTY IN THE U.S.A.

(on January 1)

	Value of machines and equipment (\$ million) ¹	Persons employed on farms (millions) ¹	Value of machines and equipment (\$) average per ²	
			acre	worker
1910	1,395	13.6	1.9	103
1958	17,400	7.5	16.6	2,320

These figures provide a clear picture of the changes that took place in U.S. agriculture in the course of half a century. The number of persons employed on the farms has been almost halved in the same period. Taking into account that the dollar today is worth half what it was

¹ Official data.

² Our calculation from official data.

in 1910, we find that the value of U.S. farm machinery and equipment has increased sixfold, the value per acre almost fourfold and the value per farm worker about elevenfold. The extensive use of machinery and other types of investment enable half the number of workers to produce twice as much (products in their natural form) as in 1910. This means simply that the annual productivity of farm labour in the U.S.A. has increased fourfold. There has been a similar development in Canada and in Western Europe. If we ignore ground rent and the still numerous small peasant farms whose total economic significance in comparison with the capitalist farms is becoming ever smaller, we find that agriculture in the highly-developed capitalist countries is becoming, or has almost become, a branch of capitalist machine industry. (In the under-developed countries agriculture is at about the same level as at the beginning of the century.)

* * *

State-monopoly capitalism that emerged during the First World War has become fully developed. The emergence and development of state-monopoly capitalism is rooted in the dominant position of the monopolies in the economy and politics of the capitalist countries in the conditions obtaining at the time of the general crisis of capitalism, when the capitalist system is in the last stage of its existence and is experiencing the break-up of its entire social system.

State-monopoly capitalism is the alliance of the forces of the monopolies and the bourgeois state for the achievement of two aims: (1) the preservation of the capitalist system in the struggle against the revolutionary movement inside the country and in the struggle against the socialist world system, and (2) the redistribution by the state of the national income in favour of monopoly capital. There are great difficulties in the way of achieving these aims and they involve many contradictions.

In preserving the capitalist system the monopolies enjoy the support of the non-monopoly bourgeoisie, the rentiers, landlords, and rural capitalists, etc., that is, of the propertied classes. But in altering the distribution of the national income by means of the system of state-monopoly capitalism to the advantage of the monopolies and the detriment of all other sections of society, the monopolies are widening the gulf between themselves and the other propertied sections of society, and are increasing their isolation.

The alliance of the monopolies and the state is effected primarily in the form of a merger between the monopolies and the state machinery. The monopolies send their representatives¹ to leading posts in the government, as ministers, senators or members of parliament. The reverse is also true—generals, diplomats and ministers frequently leave government service for highly-paid posts in the monopolies.

The alliance also takes the form of joint decisions on important economic issues. This is not communist propaganda. The French industrialists' journal *Entreprise* (August 1959) said that "the French economic system, especially since the war, is a capitalist system in which the state and private entrepreneurs complement each other. All important decisions emanate from these two centres—the organs of state power and the leaders of the private sector, and their activities should be co-ordinated. Furthermore, these two forces are frequently united when representatives of the private sector take part in making decisions in the organs of state power."

Fully developed state-monopoly capitalism is manifested mainly in state regulation of the economy, state-owned

¹ The top members of the financial oligarchy for a long time (and as a rule) refrained from personal, open participation in state affairs; in the U.S.A. Mellon was an exception. During and after the Second World War the situation changed: Eisenhower's cabinet, for instance, contained nine millionaires; Rockefeller is governor of New York, etc.

enterprises and the appropriation and redistribution of the greater part of the national income by the state.

State regulation of economy and state property are by no means an ideal for the monopolies. The monopolies consent to such a step whenever capitalism is in danger—at the time of world wars and in periods of profound over-production crises. At times they favour nationalisation, but only of those branches that are being run at a loss and on the condition that profitable compensation is paid. Whenever the monopolies feel that their position is sound, they demand and achieve the annulment or curtailment of the state regulation of the economy and the return of state enterprises to private owners. In West Germany in 1959, for instance, not only Nazi enterprises (the Volkswagen factory) were put up for sale to private capital; the Preussag works, that had, in part, been the property of the Prussian state since the last century, was also sold. The transfer of such enterprises is combined with the propaganda of "people's capitalism", because part of the low-value shares are sold to workers.

The development of state-monopoly capitalism, therefore, is uneven in its two aspects.

The share of the national income distributed through the state budget is constantly increasing. The state today takes more than a quarter of the national income from its citizens and redistributes this huge sum for the benefit of the monopolies, using mainly taxation for this purpose. The percentage of the national revenue provided by taxation (national, provincial and local) is:¹

F.R.G.	France	Britain	Italy	U.S.A.
32.5	31.1	29.2	28.0	25.2

The state budget is an important source of income to the monopolies since a large part of state expenditure is

¹ U.S. News and World Report, April 13, 1959, p. 88.

for commodities and services they provide at high monopoly prices.

U.S. state spending has increased as follows in this century (000,000,000 dollars):

1900	1930	1938	1945	1950	1959	1960
0.5	3.4	7.2	100.4	40.1	81.0	78.4

In various ways the state helps the monopolies fix high monopoly prices on the home market. With this aim in view it restricts the import of some goods by import quotas and prohibitions; it makes these commodities expensive by levying high import duties; it assists the export of commodities for which there are no purchasers in the country by granting loans to other countries. On the other hand, the state prohibits or hinders the exports of raw materials needed by the monopolies.

It is impossible even to list all the cunning methods by means of which the monopolies make use of the state budget. We shall mention only the main channels: state credits and subsidies obtained on the pretext of producing goods of "importance for defence"; the purchase of land, enterprises, etc., from the state at low prices; the lowering of taxes levied on the monopolies in every possible way.¹

The activities of the state for the benefit of the monopolies reach their peak in times of war when the

¹ Of particular interest are the investments made by means of accelerated depreciation. The state allows the monopolies to set aside part of their profit to cover depreciation and does not tax this sum. The depreciation fund is often three or four times the value of the actual depreciation, and U.S. monopolies have built factories out of sums obtained by "accelerated" depreciation, usually 20% of the value of the plant per annum.

	Total (\$000,000)	Percentage of all new investments
During the First World War . . .	650	11
During the Second World War . . .	5,700	52
During the Korean War	21,500	66

state distributes raw materials, machinery and labour throughout the country to the advantage of the monopolies.

All state spending is, first and foremost, to the advantage of the monopolies. Even expenditure that is supposed to be in the interests of the working people is indirectly to the benefit of the monopolies. Schools train technicians, engineers and scientists for them. Medical services look after the health of the workers. The building of roads, canals, and ports reduces transport expenses and increases the profit of the monopolies, etc.

The entire functioning of the state in the imperialist countries is directly or indirectly in the interests of monopoly capital. The state police and armed forces protect the capitalist system.

State-monopoly capitalism is extremely reactionary because it exists in order to defend a capitalist system that is doomed to collapse.

In this respect it differs greatly from state capitalism which, at the early stage of capitalist development and in the under-developed countries today, plays a progressive role in developing the productive forces.

* * *

In the twentieth century the financial oligarchy has greatly increased its power. The methods by which it gains control over the capital of other people have become more intricate and are more closely veiled.

The power of the financial oligarchy does not rest so much on its own capital as on its control of the capital of others. The capital actually owned by Morgan (according to a *Fortune* estimate) is less than a thousand million dollars and he is not the richest man in America. But he has control over dozens of times that amount of capital belonging to other people. The methods by which the financial oligarchy, at the beginning of the century, gained control over the capital of other people while holding

capital of its own that was several times smaller, will be known to readers from Lenin's *Imperialism, the Highest Stage of Capitalism*, and we shall not repeat them here. In the course of the twentieth century the big financiers have evolved numerous astute methods of gaining control over important enterprises using only relatively small capital of their own. Some of the methods are: the issue of preferential shares (with no vote at the shareholders' meetings) and special shares that carry more than one vote, some company charters grant the right to vote only to the shareholders possessing, say, 10, 50 or 100 shares, holders of fewer shares having no vote; using shares deposited in banks and safe deposits by their owners, etc. The result is that the ordinary shareholder has no voice in the affairs of the concern in which he has invested his capital and often does not even know who is the real boss of the firm. The financial magnates, who possess only a small portion of the total number of shares—often as little as 5 per cent—rule the concern anonymously and by various means appropriate to themselves a much larger share of the profits than the "ordinary" shareholders get in the form of dividends.

A completely new phenomenon is the "Investment Trusts", capitalist enterprises for the purchase of the shares of various companies operating in industry, trade or banking. The trust receives the dividends from the shares it holds in various companies and distributes the sum received among its shareholders. The object of these trusts is to lessen the risk of the shareholders—actually, they are rentiers—of losing their money by investing it all in one or two companies. This is fictitious capital doubled. Such enterprises enable the financial magnates to dominate, with the aid of other people's money, the firms whose shares are held by the trust.

The financial oligarchy has discovered important new ways—in addition to banks and savings societies—of getting at the savings of the people. Among them are the

insurance companies, mainly those dealing in life insurance. In 1958 the resources of all United States life insurance companies amounted to 107,000 million dollars. Of this sum, 54,000 million dollars were invested in shares and loan bonds. The reserve funds of these companies in 1958 constituted a sum as great as the total amount deposited in all forms of savings banks, and, furthermore, the sum total increased in 1958 alone by 4,200 million dollars. In Britain in 1958, insurance companies had assets to the value of £6,000 million. Of this sum £2,200 million were invested in the loan bonds and shares of private concerns. The resources of all British banks and finance companies amounted to £11,500 million. Insurance companies have one great advantage over banks and savings societies—in the event of a credit crisis they do not suffer from a mass withdrawal of funds. Insured persons may discontinue paying the contributions and demand settlement; this, however, means considerable loss to the person concerned. The insurance companies, moreover, can defer payment by various ways and means until the credit crisis is past. It will be understood from this that a struggle is constantly going on between financial magnates for the control of the insurance companies. Pension funds play a similar role.

At the beginning of the century, when there was a very rapid development of industry (especially in Germany) and the funds at the disposal of the industrialists were far from sufficient for further expansion, industry was in constant need of bank credits, not only for its circulation funds but also for the increase of constant capital.

Hilferding, in his *Finance Capital*, said that "a constantly growing part of industrial capital does not belong to the industrialists that use it. They obtain use of the capital only through the banks..."¹ In this way the in-

¹ Rudolf Hilferding, *Das Finanzkapital*, Berlin, 1955, XIV, Kapitel. "Die Kapitalistischen Monopole und die Banken Verwandlung des Kapitals in Finanzkapital". S. 355.

dustrial enterprises were kept dependent on the banks. In the subsequent period, especially after the Second World War, the situation changed. (Even in the early period, as Hilferding himself writes, it was true mainly for Germany and the under-developed countries, but it was not true for Britain.) There were two factors that played the decisive role in this respect. During and after the war the monopolies were able to set aside for themselves tremendous reserves out of their high profits. The inflation strengthened the position of the industrial monopolies since the greater part of their property consisted of buildings, machinery and equipment, raw materials and manufactured goods whose prices increased together with inflation; they were able to pay their old debts to the banks in devalued currency. The banks gained nothing from the inflation. It is true that they paid their creditors in low value currency but they received the same low value currency from their debtors. This difference in the effect of inflation explains why representatives of industrial capital, the prominent American economists, Professors Slichter and Hansen, for example, are, like Keynes, in favour of "regulated inflation", while such big financial organisations as the First National City Bank and the Guarantee Trust Company (both American) favour stable currency.

Industrial monopolies have become more or less independent of the banks and as a rule expand their constant capital by using their own reserve funds.

All American industrial corporations together expended 21,500 million dollars on buildings and plant in 1958. For this they used their own internal sources: retained profits and depletion allowances were 6,000 million dollars and depreciation and amortisation allowances came to 21,500 million dollars (See *Economic Report of the President Transmitted to the Congress*, January 20, 1959, p. 207).

According to the *British Bulletin for Industry* (April 1959) between 67 and 89 per cent of all investments in

Britain in the 1949-1956 period were financed out of internal sources, from 7 to 11 per cent by issuing bonds and from 2 to 12 per cent by bank loans.

The big monopolies now create such huge reserves from their superprofits that they, as a rule, not only have no need for the banks but are able to establish or purchase banks themselves. The Rockefellers bought up the Chase Bank, one of the biggest in the U.S.A. The German concern, I. G. Farbenindustrie, had its own big banking house even before the Second World War.

The following figures for the U.S.A. show the secondary role now played by the banks as compared with the industrial monopolies.

COMBINED NET INCOME AFTER TAXES OF LEADING U.S. CORPORATIONS
(\$000,000,000)

Year	Total	Manufacturing industries	All financial corporations	Commercial banks
1957	15.8	10.4	1.3	0.8
1958	13.9	8.5	1.4	0.9

The net income of all financial corporations amounted to only from one-eighth to one-sixth of the income of the industrial monopolies.¹

The change in the relations between the banks and the industrial monopolies still does not mean that the investment banks do not make a profit through the issue of shares and bonds for industrial enterprises. (The exception is the sale of new shares exclusively to old shareholders.) In his *The Empire of High Finance*, Victor Perlo quotes

¹ It is worthy of note that in 1958, when the profits obtained were mostly due to operations carried out in the crisis years of 1957-1958, the banks' profits increased while those of the industrialists considerably dropped. From this it follows that the banks gain from the troubles of others.

the instance of the syndicate selling Ford stock in 1956; this syndicate took a commission of \$1.50 per share and collected \$15,300,000 for an operation involving no risk whatsoever. The point is that only the investment bank possesses the machinery for selling shares "to the people". Ford's could have managed without the help of the banks, but the sale of shares "to the people" would have required the establishment of a constantly functioning apparatus throughout the country.

The question of the relations between banks and industrial monopolies, however, is becoming of less and less significance because a very small group of financial magnates is gaining control over both banks and industries.

In the under-developed countries, where there is a great shortage of capital, the banks still maintain their power over industry.

The growing strength of the monopolies and the development of state monopoly capitalism have brought about a change in the distribution of the burden of over-production crises. At the beginning of the century a considerable part of the losses due to a crisis was borne by the bourgeoisie because of the sharp fall in prices, acute credit crises and mass bankruptcies. Today the big monopolies do not reduce their prices during a crisis; they do not go bankrupt (if necessary the state comes to their aid). The entire burden of a crisis is borne almost exclusively by the working class that suffers from mass, prolonged unemployment, by the under-developed countries because the prices of their commodities are reduced¹ and by the weaker section of the non-monopoly bourgeoisie. The big bourgeoisie does not lose much from a crisis. But a lengthy and deep-going over-production crisis is politically dangerous to the

¹ As we have shown, the big capitalists of the imperialist countries, Britain especially, gained more from the drop in the prices of raw materials from under-developed countries during the last crisis, than they lost through the crisis itself.

bourgeoisie in the conditions obtaining at the present stage of the general crisis of capitalism and the struggle between the two world systems.

* * *

Despite the relatively powerful growth of production and the huge accumulation of capital in the more developed capitalist countries, *capitalism today is in many respects not only politically but even economically weaker than it was at the beginning of the century.*

Capitalism is unable to provide work for all those whose sole means of subsistence is the sale of their labour power. The industrial reserve army that at the beginning of the century appeared mainly at times of economic crises has been replaced by a permanent unemployed army. In the U.S.A., the richest capitalist country, at a time of relative economic prosperity (March 1960) there were 4,200,000 totally unemployed according to official data which do not take into consideration about the same number of people working from one to fourteen hours a week, that is, also actually unemployed. If we add those who had jobs but were not working (because of factories standing temporarily idle, strikes, etc.) the number of people unemployed in that month was something like ten million. If we assume that every unemployed person has at least one other person dependent on him, that brings the number up to 20,000,000, which is equal to the population of Belgium; Denmark, Finland and Ireland combined. To the official figures for unemployment there must be added the hidden unemployment due to rural over-population (in Italy, Spain and the under-developed countries); thus the total unemployed army of the capitalist world may be anything between 50,000,000 and 100,000,000 strong.

A number of branches of economy in the highly-developed countries are in a state of chronic depression (coal, cotton, agriculture, etc.) which increases the tendency of the unemployed army to grow.

Today there is no single capitalist market such as there was at the beginning of the century. The capitalist world market has been reduced in extent and is split into the dollar, sterling and other currency areas. Competition conditions differ for the capitalists of various countries because of the import quota system, preferential tariffs and the absence of the most favoured nation system. There is no free movement of capital—either permission is required to export capital or the state itself undertakes to export capital and relieves the monopolies of the risk involved, etc. Although some attempts are being made to create a uniform market on the territories of several countries—for instance, the six West-European countries headed by the Federal Republic of Germany and the group of seven countries headed by Britain—the contradictory interests of the monopoly groups make it difficult to put these plans into effect and counterpose one West-European group to the other. The Common Market consisting of the F.R.G., France, Italy, Holland, Belgium, and Luxemburg headed by West Germany, is counterposed to the Free Trade Area consisting of Great Britain, Sweden, Norway, Denmark, Switzerland, Austria and Portugal headed by Britain.

The absence of a single capitalist market demonstrates the weakness of capitalist economy. It has led to a very unequal distribution of the world money—gold. Tiny Switzerland with her population of five million possesses a gold reserve of 2,000 million dollars while France with her forty-four millions possesses less than 1,000 million dollars; India, with a population of almost 400,000,000, has a gold reserve of some 250,000,000 dollars.

The sharpening of the chief contradiction of capitalism—the contradiction between the social character of production and the private character of appropriation—creates a chronically narrow market in the capitalist countries. This compels the capitalists to sell their goods on the instalment plan, thus using the consumers' future

income today. In the U.S.A. the sale of motor cars by instalments is so widespread that the customer is no longer told the price of the vehicle; he is merely told that he must pay so much a month for, say, thirty-six months. At the end of 1960 the total debt owed by consumers was 55,000 million dollars. This system is rapidly spreading in Britain and other capitalist countries.

The monopolies, of course, by granting consumers credit, always raise prices. The financial concern General Motors earns 12 per cent per annum on cars sold on credit and in the event of an instalment not being paid on time has the right to take the car back from the debtor. According to the *U.S. News and World Report*, interest as high as 31 per cent per annum is charged.

The sale of consumer goods on credit is something new and was not typical of capitalism at the beginning of the century.

Evidence of the weakness of present-day capitalist economy as compared with that of the beginning of the century is to be seen in the inflation that affects the currency of all capitalist countries. Even the United States dollar, despite that country's huge gold reserves, has had its purchasing power—for consumer goods—reduced by 24 per cent during the past ten years.

The lower purchasing power of money is not only due to inflation but also to the activities of the monopolies. In May 1959 the U.S. price index was as follows (1947=100):

Aluminium	Steel	Furniture	Textiles	Leather goods	Foodstuffs
168	170	124	94	118	108

There can be no doubt that the production cost (i.e., the amount of socially necessary working time contained in one unit) of steel has been reduced to a much greater extent than that of furniture or leather goods. The fact that the prices of monopoly-produced metals have increased to a much greater extent than those of less monop-

olised goods shows the power of the monopolies; the latter fix the prices of their commodities at a figure much higher than their cost and thus ensure themselves super-profits.

Post-war inflation is due to the withdrawal, during and after the Second World War, of greater sums for non-productive purposes than the normal functioning of capital permits.

Does this mean that capitalism is, in general, no longer able to maintain a stable currency? It does not; it would be possible for the majority of the capitalist countries to maintain a stable currency even today. The industrial monopolies, however, do not want stabilisation. The "slow" devaluation of currency provides conditions that are very profitable to capital, enabling it to increase the exploitation of the working people, because the real wages of factory and office workers are constantly dropping as money loses its purchasing power. This compels the workers to struggle for increased money wages. Such a struggle creates the false impression that the working class is constantly on the offensive and that the capitalists are acting in their own defence, although actually it is the monopolies that are attacking the living standards of the working people.

Militarisation. The chief reason for the militarisation of the economy of the capitalist countries is a political one. All-round militarisation has been effected by the financial oligarchy because of its constant fear of the socialist revolution—production, technology, science, serve primarily this purpose. Armament spending in "peacetime" has reached an unparalleled level. In 1900 the U.S.A. spent 191,000,000 dollars on armaments and in 1962 more than 55,000 million dollars.

The narrowness of the capitalist market, the difficulty of realising commodities because of the low purchasing power of the majority of the working people—a phenomenon that is inevitable under capitalism and which

has become more apparent as a result of the rapid technical progress effected during the past decade—is another reason for the militarisation of the economy of the highly-developed capitalist countries.

Militarism is surest proof of the decay of present-day capitalism. Weapons are neither means of production nor articles of normal consumption. Expenditure on armaments does not bring the people any benefits, it is a gigantic *faux-frais* for capitalist society, actually it is a deduction from the national income. Armaments, however, are exceedingly profitable business for very influential groups of monopolies. The monopolies as a whole, therefore, resist the demand of the peoples to put an end to the cold war and effect a real disarmament. There are, however, monopolies that work exclusively for the home market, and who are against excessive armaments because of the high taxation they require.

Considerable changes in the export of capital have taken place. At the beginning of the century privately-owned capital was exported; the state granted loans to foreign countries but did not export capital to them. Almost half the capital leaving a country today is exported partly or wholly by the state through the International Bank for Reconstruction and Development, state loans to the under-developed countries, state guarantees for the export of private capital, etc. The state export of capital has become an important weapon in the struggle between the two systems.

By granting the under-developed countries loans at 2.5 per cent per annum, the Soviet Union helps them free themselves from the financial yoke of imperialism. The export of capital by the imperialist states serves very different purposes.

The purpose served by the export of private capital has also changed. Earlier in the century capital was exported mainly to ensure a supply of raw materials for West-European industry. Today a large part of the ex-

ported capital goes from one highly-developed country to another, primarily to build subsidiaries of the monopoly firms. This is to be explained by the fragmentation of the capitalist world market and differences in wage levels. Big American firms have invested about 3,000 million dollars in Britain because wages there are lower than in the U.S.A. and the technical level is the same; the commodities thus produced enjoy preferential tariffs in the dominions because they are "British made". The dynamics of foreign investments in Canada are also of interest (\$000,000,000):

	1900	1945	1958
U.S.A.	0.2	5.0	14.6
Great Britain	1.0	1.7	3.1
Other countries	—	0.4	1.4
Totals . . .	1.2	7.1	19.1

The profits from U.S. and British private capital invested abroad are so great that they amount to the annual export of new capital. In other words, from the point of view of the balance of payments the new export of capital is effected without the transfer of values.

The state export of capital to the under-developed countries not only serves a political purpose, it guarantees the export of the commodities of the big capitalist firms at high prices and without any risk. The aid given by the capitalist countries is actually aid to themselves.

3. Important Social Changes in Capitalist Society

It goes without saying that the relations between the classes of capitalist society have not changed during the twentieth century. Capitalist society still consists of two

main classes—the bourgeoisie and the proletariat—and the class struggle between them continues. In the underdeveloped countries the struggle for land between the landlords and the peasantry still plays a dominant role.

There has, however, been considerable change within the classes of the developed capitalist countries. The bourgeoisie has decreased in numbers and the proletariat increased. In the U.S.A. in 1910, the number of "independent persons" constituted 27 per cent of the gainfully employed population; in 1954 it was, according to the *Journal of the International Sociological Association*, only 13.3 per cent. It must also be borne in mind that many of the people regarded as independent today are fully dependent on the monopolies—motor-car dealers and others. Furthermore, there are many "independent people" whose incomes are lower than those of the workers, such as street traders, those doing minor repairs of various sorts, etc. In the industrial countries the big bourgeoisie is today an insignificant minority compared to the overwhelming majority of factory, office, and professional workers. The data for 1959 given in the West-German *Statistisches Jahrbuch für die Bundesrepublik Deutschland* may be analysed as follows (millions):

	Britain	U.S.A.	Federal Republic of Germany
Total gainfully employed population	22.6	60.0	22.0
Factory, office and professional workers	20.9	49.3	15.6
Percentages of total	93.0	82.0	71.0

The managerial role of the bourgeoisie in production has been reduced far more than its mere numbers. Although the monopolies occupied a dominant position at the beginning of the century and there was a rather numer-

ous rentier class, a considerable part of the bourgeoisie played an active role in economic life as entrepreneurs, organisers and managers of their own enterprises, engineers and inventors. The first generation of Siemens, Krupps, Fords and others were working engineers and production organisers. Now almost all these functions are performed by hired people. The day-to-day management of an enterprise is now the work of a paid director or manager, while the financial magnates are engaged in the organisation of new monopoly enterprises, in politics and in large-scale speculation. Scientific work and invention is concentrated mainly in the laboratories of the big monopolies and the fruits of the labours of scientists and inventors belong to the monopolies. A very big and still growing section of the bourgeoisie is becoming parasitic, is being turned into a rentier class.

The *Economic Report of the President Transmitted to the Congress* on January 18, 1961, showed the income of the rentier class in the U.S.A. in 1960 as 14,000 million dollars in dividends and 26,800 million dollars in personal interest, a total of 40,800 million dollars.¹ The parasitic income of the U.S.A. is greater than the entire national income of India with its population of 400,000,000.

Modern capitalist society in the highly-developed countries, therefore, consists of a very limited group of financial magnates and of other exploiters—the middle bourgeoisie, landlords, kulaks—and the hired factory, office and professional workers who form the overwhelming majority of the population. The number of people objectively interested in the preservation of capitalism is becoming ever smaller. The capitalist system continues to exist because the bourgeoisie of the highly-developed countries, on account of the tremendous growth of labour

¹ *Economic Report of the President Transmitted to the Congress*, January 18, 1961, Washington, 1961, p. 141.

productivity in their own countries and the exploitation of the under-developed countries, is still able to improve the living conditions of a section of the workers; the bourgeoisie, furthermore, is still able, with the aid of religion, reformism and other types of bourgeois ideology, to maintain its influence over a section of the workers. The apparatus of suppression, of course, continues to play an important part. But in conditions obtaining, due to the struggle between the two systems, a certain part of the bourgeoisie tries to avoid open conflicts with the proletariat.

The monopolies, taking advantage of the inflation and high monopoly prices, can meet the demands of the workers in part without detriment to their profits.

It stands to reason that the monopolies are in a more difficult position in those branches of industry that are undergoing a structural crisis (coal, cotton, etc.) than in the rapidly developing branches. The position of the non-monopoly, middle and smaller bourgeoisie, who are experiencing the oppression of the financial oligarchy, is still more difficult.

Changes in the ideology of the bourgeoisie. The ideology of imperialism has always been reactionary. At the beginning of the century, however, there were still considerable survivals of the anti-feudal, liberal, radical bourgeois ideology. Today the ideology of capitalism is thoroughly reactionary; its main content is the preservation of the capitalist system and anti-communism.¹ Its much-advertised "liberty" and "protection of the rights of the individual" are used as anti-communist propaganda by bourgeois ideologues; the social sciences, like the church, defend and embellish decaying capitalism and im-

¹ The exception is provided by the national bourgeoisie of the under-developed countries who are fighting against imperialism and feudalism and are playing a progressive role. Owing to their dual character, however, the national bourgeoisie are inclined to come to terms with imperialism and feudalism.

perialism, preach the superiority of the white race¹ and slander communism. The bourgeoisie of the developed capitalist countries no longer have their former ideals and social purposes. Demonstrative religion and obscurantism are combined with a thirst for profit at any cost. Gangsters, murderers and speculators on a grand scale are more and more often becoming the heroes of the literature, the cinema and the theatre of the bourgeois countries. In the industrialised capitalist countries today it is the proletariat that strives for the higher ideals of mankind and unites all the progressive elements of society. In the colonies, semi-colonies and former colonies, the intelligentsia and the national bourgeoisie participate in the people's struggle for complete independence from imperialism, although they do so with certain vacillations.

The rapid technical progress in the twentieth century has also brought about considerable change in the make-up of the working class. As we said above, skilled workers were the deciding factor in production at the beginning of the century. These workers spent four or five years learning their trades. Their wages were, therefore, much higher than those of the unskilled workers. The working-class aristocracy consisted exclusively of skilled workers. The bourgeoisie was able to exert considerable influence on the masses of the workers through this relatively small section. In the factories of today there are very few skilled workers in the old sense of the term. Technological progress in the capitalist countries has led to the skill of the worker being no longer of decisive importance in production. Workers' wages, therefore, have been greatly levelled out. The British Minister of Labour

¹ In Florida a demand was made that the book *Three Little Pigs* be prohibited because the wolf ate the white pig and the spotted pig but the black pig proved cleverer than the wolf. A similar demand was made in Alabama in respect of a book called *Two Bunnies* in which a white rabbit married a black rabbit.

submitted the following figures to Parliament on the wage rates of workers (reported in *The Economist*, April 23, 1960):

WAGES OF SKILLED WORKERS IN FOUR TRADES AS A PERCENTAGE OF THE WAGES OF LABOURERS

	July 1914	April 1960
Engineering (weekly rates)		
Patternmakers		133
Fitters and turners	184	119
Building (hourly rates)	170	
Bricklayers		114
Railways (weekly rates)	150	
Engine drivers	211	147

Thus we see that the difference in wages is now much smaller. This, of course, does not mean that the working-class aristocracy no longer exists as a political force. Lenin always spoke of the working-class aristocracy as a section of workers that had broken away from the proletarian mass, that did not take part in the political struggle of the proletariat, that denied its proletarian nature and tried by its behaviour and way of life to imitate the bourgeoisie. In this sense the working-class aristocracy still remains today.

The productivity of labour in the industrialised capitalist countries has increased considerably in this century, probably more than 100 per cent; it is, however, difficult to gauge productivity of labour because results will differ according to which measure is taken—a daily, hourly or annual period, separate branches or the economy as a whole. But we know that the productivity of labour in recent years has increased so much that the level of output is not only raised without a corresponding increase in the number of workers employed, but even with a

decrease in that number. The U.S.A. will serve as an example.

Year	Production index for manufacturing industries (1947-1949=100)	Number of workers employed (millions)
1953	139	17.2
1959	158	16.2

Thus output increased by 14 per cent despite a reduction of one million, or 6 per cent, in the number of workers.

The growth in labour productivity has brought about a sharp change in the distribution of employed persons by industries. In the highly-developed countries the number of workers producing values and surplus-value is only slightly greater than the number in non-producing branches. (A further 3,000,000 may be added to the non-producing categories for the armed services.)

DISTRIBUTION OF THE U.S. LABOUR FORCE IN 1959

(millions)

Branches producing new values		Branches not producing new values ¹	
Manufacturing industries	16.2	Trade	11.4
Mining	0.7	Finance	2.4
Building contractors . .	2.8	Services	6.5
Agriculture	5.8	Federal and local government bodies	8.1
Transport and public amenities	3.9		
Total	29.4	Total	28.4

This change is due to the rapid growth in the number of professional and office workers in the developed capitalist countries. On the one hand it is a result of the increased size of the state apparatus and the extension of

¹ This division is not accurate—new values are partly produced in trade but are not produced on passenger transport. We are of the opinion that the two figures compensate each other.

branches of the economy providing services where manual workers are few; on the other hand, technical progress in industry (automation, the introduction of electronics, etc.), has led to a greater increase in the number of non-manual workers employed. Out of every hundred persons employed in U.S. industry in 1899, only six were professional and office workers, in 1919 the number was 19.4 per 100 and in 1954 it was 21.3 per hundred. In 1957 one third of the total payroll went to non-manual workers.

General data on the number of manual and non-manual workers are available for West Germany; in October 1957 there were 12.7 million manual workers of all categories (including apprentices, beginners working without pay, etc.), and 5.4 million professional and office workers. According to British census figures the number of office workers in that country was (thousands):

1891	1911	1931	1951
414	843	1,465	2,124

Due to the rapid rate of growth, the number of non-manual workers in the industrial countries is approaching that of the manual workers.

This is a fact of great political importance. The vast majority of non-manual workers are, of course, proletarians and their salaries are frequently lower than the wages of skilled manual workers. But the upper stratum of clerks in private firms merges with the capitalists and the higher state and working-class bureaucracy and plays an important political role.

The bourgeoisie tries to take advantage of this non-existent difference between the proletarians of the factory and those of the office desk.¹ They try to counterpose one group to the other. Office workers, however, are more

¹ In this case the division into manual and mental labour is unsuitable. The work of many clerks requires very little mental effort and that of many workers is more mental than manual.

and more frequently becoming members of trade unions and their organisations have aims and methods of struggle that closely resemble those of the factory workers' unions.

Of particular importance is the rapidly growing stratum of working-class bureaucrats, employees of the Social-Democratic parties, parliamentarians, editors, professional propagandists, employees of workers' co-operatives, etc. This bureaucracy, acting in the interests of the bourgeoisie, to some extent fulfils functions that at the beginning of the century were carried out by the working-class aristocracy of skilled workers.¹

* * *

The big bourgeoisie is faced with a problem—how can it retain its influence over the proletariat and prevent it from taking the revolutionary path of struggle in the epoch of the general crisis of capitalism, when the further existence of the capitalist system is potentially endangered, when the proletariat constitutes the overwhelming majority of the population and possesses powerful trade union and party organisations and when the workers can see the tremendous successes of the Soviet Union and the other socialist countries?

The attitude of the big bourgeoisie in the highly-developed capitalist countries towards the proletariat is, on account of this problem, different from what it was at the beginning of the century. Sixty years ago every individual capitalist and the capitalist class as a whole had one aim—to extract the maximum amount of surplus-

¹ The salaries paid to the top working-class bureaucrats are very high. One of the leaders of the American Union of Operating Engineers, Delony, for example, was paid \$55,000 plus \$17,225 expenses; James Hoffa, President of the International Brotherhood of Teamsters, is paid \$50,000 a year and John Lewis of the United Mine Workers Union got the same. These incomes are equal to those of the rentier millionaires.

value from the workers. Today the bourgeoisie is in a very contradictory position. The capitalists today, of course, also want to appropriate, and do appropriate, the maximum surplus-value. But they, and, especially, their governments, have to ensure that the proletariat remains under the political influence of the bourgeoisie and does not take the path of revolution.¹

It must, unfortunately, be admitted that so far the bourgeoisie of the chief capitalist countries has succeeded in doing this, with the exception of France and Italy where the Communist parties have a dominant influence among the proletarians.

In the U.S.A. there is still not even a reformist mass party. Tens of millions of workers vote for one or other of the two big bourgeois parties, and the trade union leaders conduct a savage campaign against communism and the Soviet Union.

In Britain the bourgeoisie still has a very considerable influence over the proletariat. The last parliamentary elections gave the Conservatives a majority. Various estimates show that about a third of the workers organised in trade unions vote for the Conservatives. At the last elections 15,600,000 people voted for the openly bourgeois parties (Conservatives, Liberals, etc.) and 12,200,000 for the Labour Party whose Right-Wing leadership more and more openly gives its support to capitalism.

How has the British bourgeoisie succeeded in preserving its influence over the proletariat? There can be no doubt that the tradition of parliamentarianism has played

¹ The contradiction between the economic and political interests of capital were clearly demonstrated during the 1959 steel strike in the U.S.A. Blough, President of the United States Steel Corporation, who headed the struggle on behalf of the capitalists, was obviously anxious to fight it out with a view to re-establishing the uncontrolled right of employers to do as they liked with workers in their factories. But the capitalists, in the interests of the bourgeois class as a whole, did not want a more bitter struggle for political reasons and forced him to come to terms with the workers.

a big role; to it must be added the ideological influence of reformism, the church, the bourgeois press, the cinema and radio.

Lenin explained the collapse of the Second International as being due to the influence of the working-class aristocracy that followed the bourgeois way of life; in the same way the strength of the bourgeois political parties and the absence of a mass Communist Party in Britain (and in the U.S.A.) are to be explained by the fact that a much larger section of the working class than the old labour aristocracy is well enough off to consider it possible to continue living under capitalism without a revolution.

The struggle of the working class, and the efforts of the bourgeoisie to retain its influence over the proletariat under conditions of the struggle between the two systems have resulted in a certain increase in real wages during the past decade in some capitalist countries, even in such a relatively poor country as Italy (see Togliatti's report to the Ninth Congress of the Communist Party of Italy).

The bourgeoisie today can easily agree to a certain increase in the real wages of a part of the working class and at the same time increase its own profits. Technical progress is bringing about a rapid increase in the productivity of labour—it has increased by at least 50-60 per cent since the First World War. The working week that was then 48 hours has not been greatly reduced. In 1958-1959 the working week was (hours)

France	West Germany	Britain	Italy	Japan	U.S.A.
45	46	46	48	50	40.1

(The U.S. figure is the average for those working full and part time and is not a normal working week.)

The rate of growth of labour productivity was five times greater than the reduction in the working week.

This means that the additional product in its natural form (irrespective of the change in prices and the value of currency) that capital appropriates is considerably greater than it was forty, or even ten years ago. This in turn means that the bourgeoisie of the highly-developed countries receives constantly growing profits and can buy over a much larger section of the working class than the old labour aristocracy.

One of the reasons for a very large section of the British working class still being content with its condition under capitalism is the social insurance "from the cradle to the grave" that was introduced after the Second World War. Workers and their wives receive benefits during sickness, in old age and on the birth of a child; there are widows' pensions; grants are made for funerals and for children when there is more than one; benefits are paid to the incapacitated. Under collective agreements workers receive a fortnight's paid holiday. Social insurance also plays an important part in reconciling the workers to the capitalist system in France, West Germany and the U.S.A. (although in the U.S.A. in practice each state has its own system and there is no nation-wide, federal social insurance). In some collective agreements between workers and employers provision is made for an insurance fund to which the employer contributes.

It is claimed that workers pay only part of the expenditure on social insurance in the form of weekly contributions (the remainder is paid by the capitalists and the state), but actually the working class as a whole pays more in the form of various contributions and direct and indirect taxes than it receives in benefits. Social insurance, however, although it is far less than normal wages, gives the worker a certain confidence that he will not become impoverished or starve.

It stands to reason that the bourgeoisie, in its efforts to retain its influence over the workers, makes use of every possible form of demagoguery and bribery.

The dominant influence of bourgeois ideology over the workers of Britain and the U.S.A. is, of course, a transient phenomenon. As the general crisis of capitalism deepens, as the number of permanently unemployed increases, as the class struggle and the struggle for peace become more acute, that influence will weaken. Evidence of this is to be seen in the struggle between the Left- and the Right-Wing leadership of the British Labour Party, in the growing influence of Communists of the British and American trade unions and in the growing class battles of the working class against the rule of the capitalists.

CHAPTER VI

THE NEW (THIRD) STAGE OF THE GENERAL CRISIS OF CAPITALISM

The statement issued by the Meeting of Representatives of Communist and Workers' Parties held in Moscow in November 1960, the programmatic documents of the Communist and Workers' parties, speeches made at the Twenty-Second Congress of the C.P.S.U. and the Programme of the C.P.S.U., provide a deep-going analysis of the present world situation and indicate the prospects for further development. The chief content of our epoch is the transition from capitalism to socialism, the beginning of which was the Great October Socialist Revolution in Russia. It is the epoch of struggle between two opposing world social and economic systems, the epoch of socialist revolutions and national-liberation revolutions, the epoch of the collapse of imperialism and the abolition of the colonial system, the epoch of the entry of more and more peoples on the path of socialism and of the triumph of socialism and communism on a world-wide scale.

Modern development on these lines has given the present day a new distinguishing feature—the world socialist system is becoming the deciding factor in the development of society.

Bourgeois and Right-Wing socialist apologists for capitalism and also the revisionists dispute this thesis. They base their arguments on the fact that the economic might of the capitalist world is greater than that of the socialist world, and that rates of capitalist economic growth in the post-war years have been higher than in the first stage of the general crisis of capitalism.

The economic superiority of capitalism, however, is being rapidly reduced by the higher rates of development in the socialist countries. Rates of development higher than pre-war have been an exception in the capitalist countries; they were not due to the "normal" expansion of the capitalist market but to the war-time exhaustion of stocks of commodities at the capitalist factories and in the hands of the population, to the destruction of whole cities and regions and to the great reduction in the output of consumer goods during the war years.

This unusual expansion of the capitalist market, owing to which there was no world crisis up to 1958, is now played out. In the coming period the rates of growth in capitalist production as a whole will be much lower than heretofore, although in some countries, and in some branches of industry there may still be high rates of growth. As time goes on the over-production crises will become more profound, more acute and destructive and they will cause a considerable regression in capitalist production.

As we have said above, the growth of production in the capitalist world has been, and still is, mainly in the highly-developed countries and the economically under-developed countries are still poor. The latest U.N. data available on the national income of the under-developed countries show the tremendous gulf between the rich and poor countries of the capitalist world. The national income per head of population per annum was (dollars):

HIGHLY DEVELOPED COUNTRIES			
U.S.A.	2,027	Great Britain	1,000
UNDER-DEVELOPED COUNTRIES			
India	68	Nigeria	64
Pakistan	65	Congo	83
Burma	58	Saudi Arabia	} less than 50 dollars
Indonesia	65	Yemen	
Bolivia	55	Libya	
Paraguay	96	Angola	
Haiti	67	Jordan	
Uganda	52	Liberia	}
Kenya	60	Ethiopia, etc.	

These figures are from four to ten years old and, of course, are not accurate. But the difference between, say, India, and the U.S.A. and Great Britain is so great that inaccuracies in the figures quoted are of no significance. It is obvious that these figures contradict the bourgeois propagandists' picture of flourishing capitalism and show that large sections of the population of the capitalist countries still live in poverty, are undernourished and at times literally starve.

Statements by authoritative representatives of the big capitalists and in the bourgeois press prove that this is capitalist reality and not communist propaganda. *The New York Times*, the leading United States newspaper, said this in its International Edition of June 27, 1960: "The effort to improve conditions for the great mass of people of the under-developed countries is lagging tragically. Nearly two billion of our fellow human beings today are hungry, sick (and yet without medical care), ragged, dirty, without decent shelter. . . . And, worst of all, without hope that their future or their children's will be any better. . . . The needy and hungry countries. . . have inched forward very slowly—and in some parts of the world have actually lost ground in the last ten years." The paper adds that the gap between the "have" and the "have-not" countries shows a tendency to grow rather than lessen. C. B. Randall, a big American businessman, wrote in his book *The Communist Challenge to American Business*: "Our great prosperity and their abject poverty have become incompatible. . . . Tragically, too, the disparity intensifies each year. The rich nations pull steadily farther ahead of the less fortunate."

The advocates of capitalism are loud in advertising the "aid" given in the past by the imperialist powers to their colonies and the "aid" they are now giving to the under-developed countries. That "aid", however, is but a small part of the profits that the colonialists receive annually from their present and former colonies. Three British

(partly Dutch) colonial companies, Royal Dutch Shell, Unilever and British Petroleum, in 1959 received a total net profit (after taxes) of 844 million dollars. This sum is many times greater than the total "aid" granted by Britain to its colonies and the under-developed countries. The internal laws of capitalism make aid without any strings attached to it a matter of impossibility. The under-developed countries can emerge from their poverty only by breaking the fetters of imperialism and developing their economy independently; socialist countries afford them whatever help they can.

The capitalist world is split into a number of groups that are economically hostile to each other even though they are military allies in the struggle against the socialist world. The U.S.A., who immediately following the Second World War was able, owing to its economic superiority, to subordinate other countries to its influence (the Marshall Plan, economic and military "aid", the building of military bases in foreign countries neighbouring on the socialist world), has been compelled to ask Britain and West Germany for help to save the dollar from collapse in face of an unfavourable balance of payments, and also to curtail expenditure abroad. It is interesting to note that the Ford Motor Company, despite the request of the U.S. Government, did not abandon its plan to buy up all the shares of the British Ford Company and spent 300,000,000 dollars on it; the Kaiser Company also refused to give up the building of a new aluminium works in Australia at the cost of 100,000,000 dollars. Profit before patriotism! And so we see that even a country as rich as the U.S.A. is unable to finance huge armaments and carry on the cold war throughout the world without detriment to its economy.

The imperialist countries of Western Europe are in the process of forming two opposing groups—the Six headed by the Federal Republic of Germany, and the Seven headed by Great Britain. When these countries are in the

grip of an over-production crisis, the struggle between the two groups will undoubtedly become much sharper. The internal laws of capitalism inevitably lead to a weakening of the entire capitalist world in the struggle of all against all and the subordination of the weaker countries to the stronger.

In contradistinction to this all the countries of the socialist world are on an equal footing. They have an identical social system (although at various stages of development) and are united by a common purpose, a common political line and a single ideology—Marxism-Leninism. They constitute a fraternal community of socialist states united by mutual comradely assistance. Every country in the socialist world is interested in the economic progress of all other socialist countries; the stronger consider it their international duty to help the weaker, as the Soviet Union is doing. This is a tremendous advantage which the socialist world has over the capitalist world; it gives the socialist world tremendous strength and is the basic reason for its becoming a factor that more and more determines the course of world development in the interests of peace and social progress although its population is only 1,000 million as compared to the almost 2,000 million population of the non-socialist world.

The capitalist world, on the contrary, is rent by the numerous and constantly sharpening contradictions that weaken it. Here are the most important of them.

1. The contradiction between the U.S.A. and the other capitalist countries that are striving to free themselves from the fetters of American imperialism that holds them in bondage on the pretext of defending them from communism.

2. The contradiction between the imperialist powers and the colonies. The seven-year war in Algeria, the Congo events, the struggle in the British colonies in Africa, etc., are evidence of the sharpness of this contradiction. The

struggle of the colonial peoples against colonialism is actively supported by those former colonies that have already liberated themselves; the liberated countries have a total population of about 800,000,000. Needless to say, this struggle is given every possible support by the socialist countries.

3. The contradiction between the countries headed by the U.S.A. that stand for a sharper struggle between the two systems, for military alliances and are against disarmament on the one hand, and the large group of peace-loving countries that have adopted a neutralist position in the struggle between the two systems on the other. Although American statesmen have called neutrality "immoral" the number of neutralist countries continues to grow.

4. The contradiction between the imperialist countries on questions of the export of commodities and capital and on questions of foreign policy. A sharp struggle is going on among the NATO countries for leadership in that alliance, on questions of the distribution of expenses, on the arming of West Germany with atomic weapons and on the direction of their common policy against the socialist countries. The U.S.A. wants a "tough" policy in respect of China—the non-recognition and blockade of China, the arming of Chiang Kai-shek, etc.; Britain and Japan want to trade with China and in view of this pursue a "softer" policy. The U.S.A. and West Germany are striving to make the situation arising out of the Berlin question more acute; other capitalist countries want to find a way to the settlement of the question. West Germany does not recognise the Oder-Neisse line as the Germany frontier; de Gaulle and the British Government recognise it.

All these contradictions serve to weaken the capitalist world as a whole.

There are also sharp contradictions within each capitalist country.

1. The contradiction between labour and capital. The 1961 general strike in Belgium that shook the whole country and the strike movement in other capitalist countries bear witness to the seriousness of this contradiction.

2. The contradiction between monopoly capitalists and other sections of the population due to the distribution of the national income and the character of economic policy in respect of such questions as prices, taxes, tariffs, etc. As the monopolies grow stronger and the economic position of the country deteriorates this struggle becomes sharper.

3. The contradiction in the sphere of agriculture between peasants owning little or no land on the one hand and the landlords who defend their land and their feudal rights¹ and the colonialists who protect the land and plantations they have stolen on the other. This contradiction is very sharp in Africa and Latin America and in some Asian countries (Pakistan, Iran). There is also the contradiction between the farmers of the capitalist countries and the big monopolies that plunder them.

4. The struggle between Negroes and Whites, not only in Africa but also in the U.S.A. There is this evidence of the intensity of the struggle in the U.S.A.; at the time of writing more than six years had passed since the Supreme Court of the U.S.A. passed its "historic" decision on the integration of the schools.² There are nevertheless states in the southern part of the U.S.A. in which not a single Negro child goes to school with white children. Negroes

¹ In Eastern Turkey, for instance, feudalism is still very much alive. "... Landowners and Sheikhs ... previously held despotic sway in the eastern provinces ... some of them (before the new Turkish Government introduced a change.—E. V.) owning fifty or more villages as their personal property ... the population were little more than serfs of the feudal landowner." (*The Times*, December 12, 1960.)

² In the 1959-1960 school year, only 181,000 out of 3,021,000 Negro children (6 per cent) attended schools together with white children. In Alabama, Georgia, Louisiana, Mississippi and South Carolina not a single Negro child was allowed to attend schools for white children.

in the southern states are unable to enjoy their constitutional rights at election times. In many African countries—South Africa, Rhodesia, the Congo—Africans in their own native land are not allowed to enter schools, cannot become skilled workers and cannot join the trade unions of the white workers.

5. The contradiction between the warmongers and the champions of peace. The peace movement is embracing growing masses of the people of the capitalist countries. As the people learn of the horrifying consequences of war with modern weapons, as they begin to realise that the winning of a war cannot compensate for the victims it would claim, the peace movement grows. People from different classes and from all walks of life participate in this movement—from the millionaire Cyrus Eaton, from world-famous scientists, Nobel Prize winners to the working masses, the rank-and-file workers. People of different political views participate—Conservatives, Liberals, Social-Democrats, Communists; people professing different religions—Catholics and Mohammedans; atheists, people of all races and colours—white, yellow, black. The peace movement is universal, it is a movement for all mankind.

The events in Britain in 1960 show the mass nature and the sharpness of the struggle for peace—the decision of the Labour Party Congress on Britain's unilateral rejection of atomic weapons and the split in the Labour Party parliamentary group over the question of the direction of British policy, whether it was to be a war or a peace policy. The champions of war—the American suppliers of arms, the West-German generals and revanchists, the French militarists—are gradually losing their following, although they still constitute a big and dangerous force.

These contradictions are frequently intertwined. U.S. imperialism has bought over the treacherous upper stratum of the ruling classes of many countries, the feudals and reactionaries, to use them in the struggle against com-

munism and to obtain military bases from them. An excellent example of this is their support to Chiang Kai-shek and other puppets.

The New York Times, the biggest U.S. newspaper, openly admitted (August 21, 1957) that "...we have taken the line in the cold war that whoever fights communism is therefore our ally. . . . Our relations were notably friendly with Perón of Argentina, Pérez Jiménez of Venezuela, Somoza of Nicaragua, Batista of Cuba, Trujillo of the Dominican Republic, Franco of Spain." The U.S.A. plays the role of the gendarme of reaction throughout the capitalist world.

For this reason the struggle against American imperialism is linked up with the struggle against the reactionary regime of the given country and against the U.S. placemen in that country. The popular revolution in Cuba, the events in Laos and South Vietnam, the anti-imperialist revolution in Iraq, etc., demonstrate this.

The struggle against American imperialism frequently merges with the struggle for peace. This was particularly apparent in the mass anti-American demonstrations in Japan that would not allow Eisenhower to visit that country.

These contradictions, and others that we have not been able to mention here, serve to weaken capitalism and in particular to weaken the position of American imperialism, the claimant to leadership of the capitalist world. This was clearly demonstrated at the end of 1960 when the U.S.A. did not succeed in getting the necessary number of votes, as it had always done before, in support of its Congo resolution and when the General Assembly, by an overwhelming majority, adopted the Declaration on the granting of independence to all colonial peoples despite the resistance put up by American imperialism.

* * *

The Soviet Union has not only broken the American monopoly in atomic weapons but has forged ahead of the United States in some very important branches of science and technology, particularly in the sphere of the most modern weapons; this has been an important factor enabling the socialist world to play a decisive role in world affairs.

This is not something fortuitous but, in the final analysis, derives from the different nature of the social system. In the Soviet Union and the socialist countries, education and science are a state matter. The most capable and talented young people from all sections of the population study in the universities and other higher educational establishments and are integrated into scientific work.

In the 1960-1961 academic year there were 2,396,000 students at higher schools in the U.S.S.R. and 1,913,000 in the U.S.A. (this last figure does not include students at junior colleges and in the freshman and sophomore years at other colleges where the academic level is that of the senior classes of the Soviet secondary school).

Only young people from a relatively small group of families with high incomes can get an education in the U.S. universities. A recent survey found out that the cost of four years' professional training to the average medical student was \$11,642 or \$2,910 a year, and that over 80 per cent of his financial resources came from parents and other relatives (quoted from *The Economist*, June 18, 1960). Obviously the sons and daughters of workers, small farmers and clerks obtain a higher education only by way of exception. The selection of young people for careers in science is also made from a very narrow circle.

Research in the U.S.A. is conducted mainly in the laboratories of the big businesses such as the General Electric Co., the Bell Telephone Manufacturing Co., the Radio Corporation of America, etc. Scientists work on problems the solution of which will bring higher profits

to the concerns they work for. Even universities depend on subsidies from wealthy capitalists.

U.S. Government expenditure on education and science is very small. The budget expenditure of the Federal Government in the 1959-1960 fiscal year was (millions of dollars):

Major national security (i. e., armaments — E. V.)	46,426
Veteran services and benefits	5,174
Interest on the war loans	7,700
Total spent on war	59,300
Promotion of education	468
Promotion of science research, libraries and museums	110

These figures, taken from the *Statistical Abstract of the United States* for 1960 (p. 369), show that only one per cent of U.S. budget expenditure is devoted to science and education.

U.S. scientific successes have been achieved largely with the aid of European scientists who emigrated to America at the time of fascist rule in their own countries, or during and after the Second World War (for instance, Einstein, Szilard, von Braun, Fermi, Wagner). Soviet science is developing through the efforts of Soviet scientists.

The further development of the competition between the two systems will undoubtedly lead to a still greater superiority of the socialist over the capitalist world in science and engineering.

* * *

The capitalist world has no single ideology, nor can it have one ideology for all in a society made up of antagonistic classes.

The official ideology of the ruling classes of the imperialist countries is anti-communism. All the measures adopted by the bourgeois state, all the events that take place in the world, are judged from that point of view;

this alone is proof that the chief content of the present epoch, the main direction of the development of society and its specific features are determined by the world socialist system, by the forces that are struggling against imperialism for the socialist reconstruction of society.

All U.S. policy is based on anti-communism. But, as the prominent American journalist and writer, C. L. Sulzberger said in his *What's Wrong with U.S. Foreign Policy*, "We have allowed our policy to become synonymous with anti-communism. . . . Anti-communism alone is no policy. Hitler discovered this."

The ideology of anti-communism, however, is not shared by the peoples of the neutralist countries, nor the peoples of the colonies and semi-colonies, nor the revolutionary proletariat of the imperialist countries, even if the imperialists do mobilise such Right-Wing socialists as Gaitskill, Spaak and Brandt and the Church to aid them in spreading the doctrine of anti-communism.

The absence of a uniform ideology weakens the capitalist world. Selfish personal interests, the effort, especially in the U.S.A., to get rich at all costs, undermine the foundations of bourgeois society. Crime, alcoholism, and addiction to drugs are constantly on the increase; the number of suicides and of the mentally ill is also increasing.

The *U.S. News and World Report* (September 26, 1960) published the following summary of reports from F.B.I. and local police officers on the incidence of crime in 1959:

one murder—every hour
one robbery—every 7 minutes
one aggravated assault—every 4 minutes
one serious larceny—every minute
one auto theft—every 2 minutes
one burglary—every 46 seconds

Raymond Chandler, a Canadian writer, says of the U.S.A. that it is a world in which gangsters can run the whole country; a world in which the mayor of your city can pardon a murderer if he is paid for it; a world in

which it is not safe to walk down a dark street because law and order are only things people talk about but do not apply; it is a world in which you may witness a robbery in broad daylight, may even see who did it, but you prefer to hide in the crowd rather than tell anybody about it because the robbers may have friends that you cannot hide from, or because the police may not like the statement you make. . . .

The greatest robbery of all, of course—the robbery of the state treasury and the people by the monopolies—is not considered illegal.¹ The decay and parasitism of the capitalist system are evident in all spheres of life in the capitalist countries.

* * *

The above are, in our view, some of the most important factors that make it inevitable for the socialist system to become a decisive force in present-day development; they also show that the general crisis of capitalism has reached a new, third stage. The triumph of socialism in a large group of European and Asian countries that contain a third of the world's population, the mighty growth of the forces struggling for socialism throughout the world, the continued weakening of the position of imperialism in the economic competition with socialism; the tremendous new upsurge of the national-liberation struggle and the rapidly increasing break-up of the colonial system; the growing instability of the entire capitalist system of world economy; the aggravation of the contradictions of capitalism as a result of the development

¹ Senator Douglas gave examples of such robbery. He displayed tools and equipment for which the government had been grossly overcharged. The display included: a lamp socket, for which the Navy paid \$21.10, that the Senator said sells in retail stores for 25 cents; wrench sets bought by the Army for \$29, available in the stores for \$3.98, etc. (*U.S. News and World Report*, June 27, 1960). The Senator naturally did not mention the biggest act of plunder—the sale of arms to the state.

of state-monopoly capitalism and the growth of militarism; the deepening of the contradictions between the monopolies and the interests of the nation as a whole; the curtailment of bourgeois democracy, the tendency to autocratic and fascist methods of government; the profound crisis in bourgeois politics and ideology—all bear witness to the fact that *the general crisis of capitalism has entered a new stage of development.*

The specific feature of the new stage of the general crisis of capitalism is that it has not emerged in connection with a world war, but in conditions of the competition between the two systems, when the balance of forces is changing more and more in favour of socialism and there is a great aggravation of all the contradictions of imperialism, in conditions in which the successful struggle of the peace-loving forces for the establishment and strengthening of peaceful coexistence has not allowed the imperialists to disrupt world peace with their aggressive actions, in a situation of upsurge in the struggle of the masses for democracy, national liberation and socialism.

It is clear, therefore, that to compare the socialist and capitalist worlds mechanically from the standpoint of population, area or volume of production, as the capitalist advocates do, is quite inadequate as a measure of the strength of the two social systems. The might of the socialist camp is much greater than the aggregate of all the socialist countries. Socialism has strong supporters in the capitalist world, among them the working class that is engaged in economic and political struggle against capital, and especially the vanguard of the proletariat which under the guidance of the Marxist-Leninist parties is waging political struggle for the overthrow of the capitalist system. Among the supporters of socialism there are the peasants who are fighting against the landlords and monopolists, and the peoples of colonies and former colonial countries that are struggling against the imperialists, etc. Objectively, although as yet far from consciously, the great majority of

the population in the capitalist world are on the side of socialism. Capitalism, on the other hand, has no supporters in the socialist world, apart from the insignificant remnants of the former ruling classes.

The dynamics of capitalist society must inevitably lead to an increase in the number of that society's enemies as the main contradiction of capitalism becomes more acute. In any socialist country, on the contrary, the longer the socialist system exists and the greater the extent to which socialist production and culture develop, the more quickly will the potential allies of capitalism in that country disappear. The dreams of the capitalists that they will be able to restore capitalism have no basis in reality. The strengthening unity and constantly growing might of the socialist world ensure the complete victory of socialism in all the countries of that world.

Time is working for socialism, for communism!

* * *

Now let us try to outline the prospects for the further development of capitalism.

Historically, the fate of capitalism is already sealed; the system is doomed to perish and make way for a higher social system, communism. It would be difficult to prophesy when this process will end on a world-wide scale, or the forms that it will take. The break-up of capitalism will result from the struggle of the working class that has united under its leadership all working people and all the progressive forces of bourgeois society. This struggle will not necessarily be everywhere in the form of an armed uprising. In a number of countries the transition to socialism may be relatively peaceful. Marx's idea of the possibility of "buying out" the bourgeoisie in some countries may prove correct.

We may prophesy the following for the foreseeable future.

The U.S.S.R. will overtake the U.S.A. economically and develop the world's most powerful economy.

China, whose people constitute about one quarter of the world population, will achieve a certain level of development of the productive forces and become economically one of the world's greatest powers.

The world socialist system as a whole will surpass economically the capitalist system. This development will weaken and shake the capitalist system, will hasten its end. The world socialist system will become the deciding factor in the development of human society.

The colonial system will disappear. The former colonies will be developing their economy rapidly with the aid of the Soviet Union and the other socialist countries.

A third world war, as a war between capitalism and socialism, is scarcely likely to break out if the peoples of all countries are active in the struggle for peace and if the question of war is decided by those capitalist statesmen who can think sanely.¹ The realisation that a war conducted with modern weapons could lead to such tremendous losses of life and materials that victory could not compensate them, that the superiority of the Soviet Union in rocketry is an established fact, and that defeat in a war launched against the will of the overwhelming majority of the people (as demonstrated by the growing peace movement) would mean the end of the capitalist system—the realisation of this by bourgeois statesmen makes a third world war very unlikely. The united and

¹ The political line pursued by American reactionaries was given clear expression by Senator Goldwater in his *The Conscience of a Conservative*, published in 1960. Goldwater demands that all negotiations with Khrushchov be stopped, that the U.S.A. should refuse to recognise all (!) the countries of the socialist camp, that arms should be supplied to underground anti-communist organisations in those countries, and that armed forces, supplied with atomic weapons, should be held ready in the event of a rebellion breaking out. In other words, his demands amount to a programme for the restoration of capitalism in the People's Democracies and the organisation of a third world war.

vigorous actions of the forces for peace can prevent another world war and preserve world peace.

A third world war, however, may be started against the will of the peoples and against the will of sensible statesmen in the capitalist countries as a result of irresponsible acts on the part of the militarists or even through the misinterpretation of radar signals.

The monopolies that profit by the supply of arms, the militarists and the enemies of socialism in the imperialist countries that are blinded by hatred are preventing and will continue to prevent general and complete disarmament and genuine peaceful coexistence. The events that made the Paris summit conference impossible show the strength of the enemies of peaceful coexistence.

The armaments manufacturers, however, may manage to avoid open war; by keeping the international situation tense they are able to make huge profits from the arms race; with the exceptionally rapid development of military techniques there are always some weapons that are becoming obsolete and being replaced by others. (It sometimes happens, as was the case with the British Blue Streak rocket, that weapons become obsolete before they go into production.) The weapons manufacturers find constant world tension quite sufficient for their purposes.

The struggle between the imperialist countries and between the opposing groups in the capitalist camp is bound to continue. The Disparity between the inevitable tremendous losses and the possible gain in the event of victory, and, especially, fears for the fate of the capitalist system, will prevent the outbreak of a war between those groups. "Minor" wars, especially wars for the liberation of the semi-colonies from the imperialist yoke (South America) are both possible and probable.

The concentration of capital and further rapid technical progress in the developed capitalist countries will lead to an increase of the army of permanently unemployed and aggravate the class struggle. The effort to preserve

the capitalist system will compel capital to make certain concessions to the working class.

The capitalist cycle will show a tendency to become shorter because the rapid technical developments of today make machinery and equipment morally obsolescent much earlier than was formerly the case so that the building of factories and the renewal and expansion of constant capital takes place more rapidly than before. Evidence of this is to be seen in the economic crisis that began in the U.S.A. in 1960. Economic crises will become more profound than they were in the first fifteen years after the Second World War.¹

The situation that obtains during the historical transition from capitalism to socialism is so exceptionally intricate that a more concrete forecast cannot be made. We may, however, forecast as a matter of great probability that the twentieth century will be the last century of capitalism. By the end of the century there will either be no capitalism at all, or there will remain only insignificant remnants of it.

The twentieth century will go down in history as the century of the death of capitalism and the triumph of communism.

¹ According to the new index of the Federal Reserve System, the depth of the economic crises of the U.S.A. was (percentage drop in index figures):

1948-1949	8
1953-1954	10
1957-1958	14

(National City Bank Monthly Letter, March 1960, p. 85).